

UNITED STATES DISTRICT COURT  
DISTRICT OF MINNESOTA

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MINNESOTA CHAPTER OF  
ASSOCIATED BUILDERS AND  
CONTRACTORS, INC., BUILDERS  
ASSOCIATION OF MINNESOTA, and  
J & M CONSULTING, LLC,  
  
Plaintiffs,

Court File No. 0:25-cv-00550-JRT-JFD

**PLAINTIFFS' ATTORNEY  
DECLARATION IN SUPPORT OF  
MOTION FOR A TEMPORARY  
RESTRAINING ORDER AND  
PRELIMINARY INJUNCTION**

v.

NICOLE BLISSENBACH, in her official  
capacity as the Commissioner of the  
Minnesota Department of Labor and  
Industry, KEITH ELLISON, in his official  
capacity as the Attorney General of  
Minnesota,

Defendants.

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STATE OF MINNESOTA )

COUNTY OF HENNEPIN )

I, Thomas Revnew, state and declare as follows:

1. I am an attorney with Littler Mendelson P.C. I am lead counsel for the above-captioned Plaintiffs. I offer this Declaration in further support of Plaintiffs' Motion for a Temporary Restraining Order and a Preliminary Injunction (the "Motion").

2. On February 13, 2025, my office hired a process server, Metro Legal Services, to personally serve Defendants with the following documents: (1) Summons and Complaint; (2) the Motion and the supporting moving papers; (3) Corporate

Disclosure Statement; (4) Civil Cover Sheet; and (5) the letter seeking an extension of words.

3. As of the filing of this Declaration, Defendants may not yet been served with the above-discussed papers. My office will file any affidavit(s) of service upon receipt.

4. The Court should not require that notice be provided to Defendants before granting a TRO. Plaintiffs challenge Minn. Stat. § 181.723 (2024) (the “Statute”) in this case. The Statute is part of H.F. No. 5247—otherwise known as the “Omnibus.” The Statute takes effect on March 1, 2025. The supporting materials make clear that without an immediate injunction, immediate and irreparable injury, loss, or damage will result to Plaintiffs’ members before Defendants can be heard in opposition, because Defendants will enforce the Statute come March 1, 2025 and impose any corresponding fines and penalties. (*See generally* Compl., Mem. in Supp. of Mot., McGuine Decl., Gohman Decl., and Kompelien Decl.)

5. In addition, my office sent courtesy copies of the documents cited in Paragraph 2 to Nicholas J. Pladson, via email (Nick.Pladson@ag.state.mn.us), who is an Assistant Attorney General for the State of Minnesota. Pladson is one of the attorneys for the defendants in *Minnesota Chapter of Associated Builders and Contractors, Inc. et al. v. Timothy James Walz et al.*, 0:24-cv-00536 (KMM/ECW) (D. Minn.) Pladson informed my office that he was not authorized to accept service, but that he would forward

Plaintiffs' papers to others in his office. Regardless, my office sent courtesy copies to Pladson as part of Plaintiffs' efforts to comply with FED. R. CIV. P. 65(b)(1)(B).

6. Attached hereto are true and correct copies of the following documents:
  - a. Exhibit A: *Advisory Task Force on Worker Misclassification*, MINN. ATTORNEY GENERAL, <https://www.ag.state.mn.us/Taskforce/Misclassification/> (last visited Feb. 11, 2025).
  - b. Exhibit B: *Attorney General Ellison wins restitution for workers that gig-work company misclassified*, MINN. ATTORNEY GENERAL, [https://www.ag.state.mn.us/Office/Communications/2024/12/19\\_AriseVirtualSolutions.asp](https://www.ag.state.mn.us/Office/Communications/2024/12/19_AriseVirtualSolutions.asp) (last updated Dec. 19, 2024).
  - c. Exhibit C: *2026–2027 Biennial Budget*, MINN. DEP'T OF LABOR AND INDUSTRY, <https://mn.gov/mmb-stat/documents/budget/2026-27-biennial-budget-books/governors-recommendations-january/labor-and-industry.pdf> (last visited Feb. 11, 2025).
  - d. Exhibit D: *RELEASE: 93rd Legislature Concludes with Some Wins Amongst Misplaced Priorities*, MINN. REPRESENTATIVE PATRICIA MUELLER, <https://www.house.mn.gov/members/profile/news/15561/49713> (last updated May 20, 2024).
  - e. Exhibit E: *Democrats Abandoning Minnesotans*, MINN. SENATE REPUBLICAN CAUCUS, <https://www.mnsenaterepublicans.com/democrats-abandoning-minnesotans/> (last visited Feb. 11, 2025).
  - f. Exhibit F: *Misclassification FAQs*, MINN. DEP'T OF LABOR AND INDUSTRY, <https://www.dli.mn.gov/business/employment-practices/misclassification-faqs> (last visited Feb. 11, 2025).

I declare under penalty of perjury that the foregoing is true and correct. 28 U.S.

Code § 1746.

Dated: February 13, 2025

*s/ Thomas R. Revnew*

Thomas Revnew

Ex. A

# Advisory Task Force on Worker Misclassification

“Misclassifying workers hurts not only those who are misclassified and their families, it hurts all Minnesotans, including businesses who do the right thing by their employees by playing by the rules, and every Minnesota taxpayer who has to make up the slack for law breaking employers,” Attorney General Ellison said.

“I’ve created this task force to gather the best thinking about the problem and make practical, workable recommendations to the Legislature, State agencies, other levels of government, industry, nonprofit organizations, and advocates about how we can put an end to the problem. It’s another way we can help create a more level playing field and a fairer economy, which helps all Minnesotans better afford their lives and live with dignity, safety, and respect.”

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## Section I: Task Force Members

### Task Force Co-Chairs

Co-Chairs: Representative Emma Greenman and Second Co-Chair to be Elected at First Meeting

### Core Task Force Members:

1. Rod Adams, Executive Director, The New Justice Project
2. Commissioner Nicole Blissenbach, Commissioner, Department of Labor and Industry
3. Octavio Chung Bustamante, Marketing Representative, LIUNA Minnesota and North Dakota
4. Representative Emma Greenman, Member of the Minnesota House of Representatives
5. Melissa Hysing, Legislative Director, MN AFL-CIO
6. Burt Johnson, General Counsel, North Central States Regional Council of Carpenters
7. Briana Kemp, Policy Lead, Centro de Trabajadores Unidos en la Lucha (CTUL)
8. Amir Malik, Compliance Manager, City of Bloomington City Attorney’s Office
9. Commissioner Paul Marquart, Commissioner, Department of Revenue
10. Senator Clare Oumou Verbeten, Member of the Minnesota Senate
11. Evan Rowe, Deputy Commissioner, Workforce Services and Transformation, Department of Employment and Economic Development (DEED)
12. Aaron Sojourner, Senior Researcher, W. E. Upjohn Institute for Employment Research
13. Brittany VanDerBill, Owner, B. VanDerBill Consulting LLC
14. Kim Vu-Dinh, Associate Professor, Mitchell Hamline School of Law
15. John Stanoch, Interim President & CEO, Minneapolis Regional Chamber of Commerce.

## Ex Officio Members of the Task Force:

1. Lindsey Lee, Assistant Attorney General, Minnesota Attorney General's Office
  2. Brian Elliott, Executive Director, SEIU State Council
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## Section II: Meetings and Events

### Past Meetings

#### September 13, 2023

- [Video Recording](#)
- [Agenda](#)
- [Minutes](#)
- [Overview Presentation Slides](#)
- [Open Meeting Laws Presentation Slides](#)

#### October 25, 2023

- [Video Recording](#)
- [Agenda](#)
- [Minutes](#)
- [Presentation from Department of Labor and Industry](#)
- [Presentation from Department of Employment and Economic Development](#)
- [Presentation from Department of Revenue](#)
- [Current MN statutes regarding worker misclassification](#)

#### November 20, 2023

- [Video Recording](#)
- [Agenda](#)
- [Minutes](#)
- [Subsidizing Abuse: How Public Financing Fuels Exploitation in Affordable Housing Construction](#)

#### December 13, 2023

- [Video Recording](#)
- [Agenda](#)
- [Minutes](#)
- [DoorDash Presentation](#)
- [DoorDash Terms of Service](#)
- [Task Rabbit Terms of Service](#)

#### January 8th, 2024

- [Video Recording](#)
- [Agenda](#)
- [Minutes](#)
- [PowerPoint Presentation on Misclassification Policies, National Employment Law Project](#)
- [National Federation of Independent Business – MN Letter](#)
- [Data on Independent Contractors](#) submitted by Brittany VanDerBill
- [Impact Stories of California AB5](#) Compiled by Freelancers Against AB5
- [List of Professions Impacted by AB5](#) Compiled by Freelancers Against AB5

#### **January 23rd, 2024**

- [Video Recording](#)
- [Agenda](#)
- [Minutes](#)
- [Policy Proposals](#) from Commissioner Nicole Blissenbach, Department of Labor and Industry

#### **February 7th, 2024**

- [Video Recording](#)
- [Agenda](#)
- [Minutes](#)
- [Policy Proposal](#) - Adopted Feb 7

#### **March 15, 2024**

- [Video Recording](#)
- [Agenda](#)
- [Minutes](#)
- [Presentation on Co-Enforcement](#), Janice Fine, Rutgers University
- [Case Study on Co-Enforcement](#), Veronica Mendez Moore, CTUL
- [Misclassification Report](#), Office of the Legislative Auditor

#### **May 29, 2024**

- [Video Recording](#)
- [Minutes](#)

#### **June 24, 2024**

- [Video Recording](#)
- [Agenda](#)
- [Minutes](#)

#### **August 20, 2024**

- [Video Recording](#)
- [Agenda](#)
- [Minutes](#)
- Professor John Budd's presentation: "[Who's an Employee? Working Toward a Principled Approach](#)"



**September 20, 2024**

- [Video Recording](#)
- [Minutes](#)

**October 8, 2024**

- [Video Recording](#)
- [Agenda](#)
- [Minutes](#)
- [Presentation from Liya Palagashli on The ABCs of ABC Tests](#)
- [Report on Misclassification from the Mercatus Center](#)

**October 21, 2024**

- [Video Recording](#)
- [Agenda](#)
- [Minutes](#)
- [Classification Test Tool, Prepared by State Agencies](#)
- [Comments Submitted by MN Newspaper Association](#)
- [Comparing and Evaluating Classification Tests](#)
- [Principles for Assessing Classification](#)
- [Testimony from Marc Freedman](#)

**November 19, 2024**

- [Video Recording](#)
- [Agenda](#)
- [Minutes](#)

**December 20, 2024**

- [Video Recording](#)
- [Adenda](#)
- [Adopted Recommendations](#)

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## Section III: Resources

### Task Force Materials

- [By-Laws of Advisory Task Force on Worker Misclassification](#)
- [Virtual Meeting Norms](#)

### Press

- **July 6, 2023:** [Attorney General Ellison forms Task Force on Worker Misclassification](#)

## Section IV: Participate

Community input is an important part of this Task Force, we encourage members of the public interested in this work to sign up for updates and stay engaged with this work.

If you would like to participate, please email Carin Mrotz at [Carin.Mrotz@ag.state.mn.us](mailto:Carin.Mrotz@ag.state.mn.us)

### Public Comment Submission Form

This form is for Minnesotans to share their experiences with employment classification in order to inform the advisory task force. The Minnesota Attorney General's Office cannot respond to all comments or testimony it receives but may use information shared to help the task force study the issue of worker misclassification and make recommendations, which may include public policy or educational initiatives.

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**NOTICE:** Task Force members and AGO staff will attend the meetings in person or via video conferencing or telephone. Under Minnesota Statutes section 13D.021, subdivision 3, if telephone or interactive technology is used to conduct a meeting the AGO shall allow a person to monitor the meeting electronically from a remote location. Public participants may monitor the meeting in person or via Zoom or by phone as stated above and may provide comments at the discretion of the co-chairs.

It is the policy of the Office of the Minnesota Attorney General to comply with the provisions of the Americans with Disabilities Act, 42 U.S.C.A. Section 12101, et. seq. ("ADA"). The ADA provides, in part, that qualified individuals with disabilities shall not be excluded from participating in or be denied the benefits of any program, service or activity offered by the Office of the Minnesota Attorney General. If you require special accommodations to participate in the meeting, please email Carin Mrotz at [Carin.Mrotz@ag.state.mn.us](mailto:Carin.Mrotz@ag.state.mn.us) prior to the meeting.

Ex. B

## Attorney General Ellison wins restitution for workers that gig-work company misclassified

Arise Virtual Solutions to pay \$300K to customer service workers it misclassified as independent contractors, stop doing business in Minnesota

**December 19, 2024 (SAINT PAUL)** — Minnesota Attorney General Keith Ellison announced today that his office has obtained a settlement with Arise Virtual Solutions, Inc. (“Arise”) to resolve allegations that Arise misclassified its workers as independent contractors instead of as employees and violated Minnesota laws that ensure minimum wage, overtime, and rest breaks. As part of the settlement, Arise agrees to pay \$300,000 in restitution to workers and to stop doing business in Minnesota.

Arise is a Florida-based gig work company that connects work-at-home customer service agents to large corporations that are seeking to outsource call center services. In the last four years, approximately 300 customer service agents located in Minnesota worked on the Arise platform. Each of these workers completed lengthy unpaid training courses before Arise allowed them to work as customer service agents from their homes. Because Arise treated these workers as independent contractors, Arise agents were not entitled to minimum wage, overtime, meal and rest breaks, workers compensation, unemployment insurance, and other important employment protections.

“Employer misclassification fraud hurts workers who were misclassified and their families, but it also hurts businesses who play by the rules and are undercut by competition willing to break the law,” **Attorney General Ellison said**. “Misclassification also harms Minnesota taxpayers, because employers who misclassify do not pay what they owe and the rest of us are forced to make up the difference. This settlement against Arise is another welcome victory in my ongoing fight to ensure Minnesotans are not being shortchanged by employers who misclassify and put profits over people.”

Any Minnesota-based worker who trained or performed work on the Arise platform since May 19, 2020 is eligible to receive a portion of the \$300,000 settlement fund. A claims administrator will contact eligible workers via mail, email, and/or phone about receiving restitution payments.

### What is employer misclassification fraud?

Employer misclassification fraud happens when an employer incorrectly classifies an employee as an independent contractor, resulting in that employee losing access to important rights, benefits, and protections available only to employees. The Office of the Legislative Auditor (OLA) released a report earlier this year finding that misclassification fraud was a growing problem in Minnesota. Of the workplaces audited, the OLA found that 22% of employers misclassified at least one employee.

An independent contractor is a person who runs their own business. They typically do specialized work for multiple clients and work outside of the scope of their clients' normal business. Independent contractors generally set prices for their services and determine when, where, and how to perform their work. They may hire their own employees and delegate their work to others. The independent contractor is typically compensated for completing a certain job and cannot have their contract terminated as long as they complete the end result of the contract.

Employees, in contrast, do not run their own businesses and usually work for a single employer, or a few employers. Employers have the right to direct the way an employee performs work. Employees can generally quit at any time without penalty and employers can fire them with little notice. Employees can't make a profit or loss based on business decisions. An employee generally does not offer the services they perform for their employer to the general public. An employee is typically paid by the hour, week, month or on a piece rate, instead of being paid by the job.

## Combatting misclassification in Minnesota

In July 2023, the Attorney General formed an Advisory Task Force on Worker Misclassification to study the issue of worker misclassification and its impacts, explore best practices in policy and enforcement, and propose a set of recommendations for both enforcement and regulatory reform.

In early 2024, the task force adopted a policy proposal that helped form the basis for a landmark bill to combat employer misclassification fraud which passed in the 2024 legislative session. Among other things, the bill created the Intergovernmental Misclassification and Enforcement Partnership, in which the Attorney General works alongside other state enforcers to maximize efforts to detect, investigate, and deter employee misclassification. The bill also created a private right of action for victims of employer misclassification fraud and increased penalties to provide meaningful deterrence.

## Filing a complaint as a worker

Workers with concerns or complaints about misclassification or other systematic violations of state and federal wage laws can contact the Attorney General's Office through its online complaint form (available in Spanish or English). The Office can also be contacted by calling (651) 296-3353 (Metro area) or (800) 657-3787 (Greater Minnesota).

Ex. C

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**Minnesota Department of Labor and Industry****Agency Profile**

<https://www.dli.mn.gov/>

**AT A GLANCE**

The Department of Labor and Industry (DLI):

- Administers employment and health and safety laws affecting Minnesota's 2.9 million employees and 207,000 employers.
- Is responsible for administrative oversight of the workers' compensation system, which handles approximately 84,500 new workplace injuries and illnesses annually.
- Conducts more than 211,000 construction inspections each year.
- Issues more than 120,000 personal and business licenses annually.
- Monitors more than 11,500 registered apprenticeships.

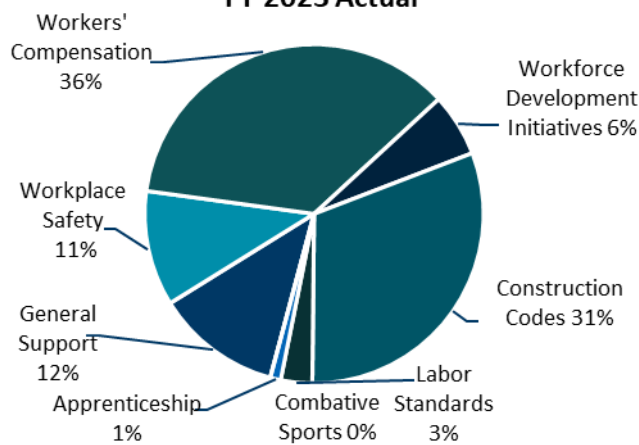
**PURPOSE**

The mission of the Department of Labor and Industry is to ensure Minnesota's work and living environments are equitable, healthy, and safe. DLI's commitment to the One Minnesota Plan priority of Thriving Communities, Housing and Workforce is carried out through agency regulatory, enforcement and education activities that ensure: working people, potential employees and employers have a clear understanding of their rights and responsibilities in the workplace; working people are safe from injury and illness; working people injured on the job are provided treatment and benefits; and working people who construct and inspect buildings are qualified to perform their work and buildings are safe and healthy for those who occupy them.

By modernizing technology platforms to improve stakeholder experiences and expanding intentional community education and engagement, including tribal consultations, DLI is putting the needs of Minnesotans at the center of its services, meeting the Customer Service and Measurable Results priority. Through sustainable facility operations, plus construction codes and licensing and apprenticeship program development in clean economy jobs, DLI is mitigating climate change. Through collaborative, clear, and constructive enforcement and education, DLI is making Minnesota the best state in the country to raise a family.

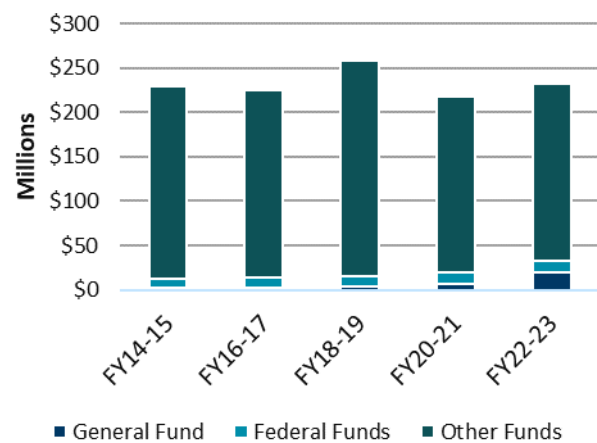
**BUDGET**

**Spending by Program  
FY 2023 Actual**



Source: Budget Planning and Analysis System (BPAS)

**Historical Spending**



Source: Consolidated Fund Statement

**The Workers' Compensation Division** is funded by an insurer and self-insured assessment deposited to the workers compensation fund. Between SFY22-25, the average amount assessed was \$58m, sufficient to cover the liabilities of the fund. Workers' compensation benefits are paid on behalf of employees of uninsured and bankrupt self-insured employers. Reimbursements to insurers and self-insured employers under the supplemental benefits and second-injury programs make up the bulk of benefit payments.

**The Workplace Safety Program** is funded with federal grants and state matching funds from the workers' compensation fund. The Occupational Safety and Health Administration (OSHA) Compliance activity receives \$4.8 million each year from the federal government and is required to match 100% of the federal award. OSHA Workplace Safety Consultation activity receives \$1.1 million each year from the federal government and is required to match 11%.

**The Construction Codes and Licensing Division** operates on a fee-for-service basis. Revenues, such as license and permitting fees, are collected from industry stakeholders, and deposited in the construction code fund. Operating costs incurred within the construction code fund for the administration and enforcement of the statutory requirements were \$40m FY 2024.

**The Labor Standards Division** is financed by appropriations from the general fund, workforce development fund and paid family medical leave fund, receiving approximately \$9m base funding each year. The unit also collects back-wages owed to employees by employers, which are given to the employees; DLI does not retain these funds.

**The Apprenticeship Division** is funded through legislative appropriations from the workforce development fund (WDF) and federal grants. Current biennium (FY 2024-25) budgets include \$5.8m in WDF grant dollars, \$3m in WDF operating dollars, and \$3.1m in federal awards.

**The General Support Division** is financed by an appropriation from the workers' compensation fund at a base amount of \$9.1m each year, and through an appropriation in the special revenue fund, generating approximately \$6m in revenue through internal billing recovered from the agency's other divisions. The general support budget and indirect rate is approved through the US Dept. of Labor federal indirect cost plan.

**Employment-based Training Initiatives** is financed by appropriations from the workforce development fund and the general fund. The annual base operating budget is \$1.1m and \$1.5m is available for Youth Skills Training grants.

**Office of Combative Sports** is funded each year with a \$254k base general fund appropriation. Revenue from licensing and event fees are also appropriated to the commissioner in the special revenue fund, to conduct statutory responsibilities and obligations.

**Nursing Home Workforce Standards Board** is funded from an appropriation from the general fund, with a base annual operating budget of \$357k plus resources for rulemaking.

## STRATEGIES

Our economy is built on the **foundations of a safe living environment and decent work** – work that pays a fair day's wage for a fair day's work, working environments that support the health of all workers, and systems for working people and their families to receive benefits and care if they are injured in the workplace. DLI ensures these foundations for our economy and our communities are present through regulation, education and engagement, enforcement, and workforce programming. DLI's staff works hard to be a trusted resource and impartial regulator for employers, working people, property owners and other stakeholders.

## **Regulation**

As a regulatory agency, DLI is responsible for upholding safety and health standards in residential and commercial buildings, in workplaces and for working people. For example, DLI's development and implementation of progressive construction codes and licensure of skilled trades and residential contractors play a critical role in achieving the safety, security, and sustainability of the state's commercial and residential buildings. DLI staff members also regulate certain combative sports events to minimize injury and ensure fair competition. The Workers' Compensation Division oversees and administers the workers' compensation system in Minnesota so injured workers promptly receive benefits and services.

## **Engagement and Education**

DLI is committed to engaging, educating, and collaborating with all Minnesotans, so they know their rights in the workplace and to prevent safety and health problems before they occur. A strong regulatory environment begins with people having knowledge and understanding of the codes and standards needed to promote safety and health in their industry. Dedicated staff members and resources across the agency focus on education for workers and employers in construction codes and licensing, workforce and skills training for youth and adults, labor standards, workers' compensation, and occupational safety and health.

For example, the Workers' Compensation Division offers customized training opportunities for employees, employers, health care providers, insurers, and vocational rehabilitation providers. Minnesota OSHA (MNOSHA) Workplace Safety Consultation works with employers and employees to solve safety and health problems before they occur through free on-site consultation services. MNOSHA Compliance also provides education and technical assistance. DLI staff members have developed relationships and partnerships to bring education about workers' rights and workplace safety and health protections in multiple languages across the state.

## **Enforcement**

Having enforcement mechanisms, such as warnings and monetary fines, for employers and other stakeholders that fail to abide by the law is a necessary part of the regulatory system. Across the agency, DLI staff members follow applicable law and assess penalties when appropriate. For example, MNOSHA Compliance enforces regulations through worksite inspections, responds to employee complaints and conducts accident investigations. The Labor Standards Division enforces Minnesota wage and hour laws related to minimum wage, overtime, break time, pregnant workers' and new parents' rights, prevailing wage, and wage theft.

## **Workforce Programming**

DLI, working alongside its many partners, is educating, and training the next generation of skilled workers through registered apprenticeship, the Dual-Training Pipeline and Youth Skills Training programs. Ensuring all Minnesotans have the opportunity to obtain necessary education and training that prepares them for jobs that pay a family-sustaining income is key to building wealth in Minnesota's families and communities.

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The Department of Labor and Industry's legal authority comes from Minnesota Statutes, chapters 175-178, 181-182, 184, 184B, 326B, 327 and 327B.

**Labor and Industry****Agency Expenditure Overview***(Dollars in Thousands)*

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY22	FY23	FY24	FY25	FY26	FY27	FY26	FY27
<u><b>Expenditures by Fund</b></u>								
1000 - General	9,142	10,711	6,136	11,555	7,344	7,363	7,769	7,941
2000 - Restrict Misc Special Revenue	7,903	10,036	9,070	12,941	11,187	11,343	11,187	11,343
2020 - Construction Code	33,772	36,624	40,636	42,341	43,950	40,125	45,968	42,271
2390 - Workforce Development	3,332	3,462	6,146	10,580	6,826	6,826	11,826	8,826
2830 - Workers Compensation	44,549	59,839	52,213	58,723	55,936	54,407	57,820	56,601
3000 - Federal	6,438	6,521	7,724	7,835	7,669	7,721	7,669	7,721
3015 - ARP-State Fiscal Recovery	100		125					
4925 - Family and Medical Benefit Ins			169	690	366		366	
<b>Total</b>	<b>105,236</b>	<b>127,194</b>	<b>122,220</b>	<b>144,665</b>	<b>133,278</b>	<b>127,785</b>	<b>142,605</b>	<b>134,703</b>
Biennial Change				34,455		(5,822)		10,423
Biennial % Change				15		(2)		4
Governor's Change from Base								16,245
Governor's % Change from Base								6

**Expenditures by Program**

Workers Compensation	29,848	45,595	34,807	38,051	35,250	34,007	37,134	36,201
Construction Codes and Licensing	35,753	39,183	44,865	47,779	47,134	43,320	49,152	45,466
General Support	13,237	15,144	13,724	16,977	17,339	17,410	17,339	17,410
Labor Standards	4,890	4,205	6,547	11,318	8,583	8,283	9,008	8,861
Office of Combative Sports	75	108	279	319	288	305	288	305
Workplace Safety	14,098	14,186	15,687	18,987	17,123	16,894	17,123	16,894
Employment-based Initiatives	5,728	7,086	2,402	2,657	2,536	2,536	2,536	2,536
Apprenticeship	1,605	1,687	3,673	7,794	4,621	4,673	9,621	6,673
Nursing Home Workforce Standards Board			235	783	404	357	404	357
<b>Total</b>	<b>105,236</b>	<b>127,194</b>	<b>122,220</b>	<b>144,665</b>	<b>133,278</b>	<b>127,785</b>	<b>142,605</b>	<b>134,703</b>

**Expenditures by Category**

Compensation	47,126	50,774	58,136	75,550	78,502	73,069	87,434	79,497
Operating Expenses	34,227	37,345	34,167	33,301	27,507	28,817	27,902	29,307
Grants, Aids and Subsidies	23,811	38,643	29,604	35,724	27,210	25,860	27,210	25,860
Capital Outlay-Real Property	1	1						
Other Financial Transaction	71	431	313	90	59	39	59	39

**Labor and Industry****Agency Expenditure Overview***(Dollars in Thousands)*

	Actual FY22	Actual FY23	Actual FY24	Estimate FY25	Forecast Base		Governor's Recommendation	
					FY26	FY27	FY26	FY27
<b>Total</b>	<b>105,236</b>	<b>127,194</b>	<b>122,220</b>	<b>144,665</b>	<b>133,278</b>	<b>127,785</b>	<b>142,605</b>	<b>134,703</b>

Total Agency Expenditures	105,236	127,194	122,220	144,665	133,278	127,785	142,605	134,703
Internal Billing Expenditures	5,669	6,455	8,097	6,588	5,079	7,191	5,079	7,191
<b>Expenditures Less Internal Billing</b>	<b>99,567</b>	<b>120,739</b>	<b>114,122</b>	<b>138,077</b>	<b>128,199</b>	<b>120,594</b>	<b>137,526</b>	<b>127,512</b>

<b><u>Full-Time Equivalents</u></b>	<b>427.55</b>	<b>464.34</b>	<b>479.78</b>	<b>600.66</b>	<b>611.73</b>	<b>562.78</b>	<b>638.43</b>	<b>592.38</b>
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**Labor and Industry****Agency Financing by Fund***(Dollars in Thousands)*

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY22	FY23	FY24	FY25	FY26	FY27	FY26	FY27
1000 - General								
Balance Forward In	953	8,843		2,961				
Direct Appropriation	17,029	4,504	8,976	8,462	7,212	7,231	7,637	7,809
Transfers In			132	132	132	132	132	132
Transfers Out		500						
Cancellations		2,136	11					
Balance Forward Out	8,840		2,961					
Expenditures	9,142	10,711	6,136	11,555	7,344	7,363	7,769	7,941
Biennial Change in Expenditures				(2,162)		(2,984)		(1,981)
Biennial % Change in Expenditures				(11)		(17)		(11)
Governor's Change from Base								1,003
Governor's % Change from Base								7
Full-Time Equivalents	21.65	30.03	32.61	52.89	48.52	44.76	51.02	47.26

**2000 - Restrict Misc Special Revenue**

Balance Forward In	11,709	11,837	10,997	13,046	8,407	5,476	8,407	5,476
Receipts	8,031	9,186	11,120	8,302	8,256	10,129	8,256	10,129
Internal Billing Receipts	5,669	6,455	8,097	5,437	5,095	7,188	5,095	7,188
Balance Forward Out	11,837	10,986	13,047	8,407	5,476	4,262	5,476	4,262
<b>Expenditures</b>	<b>7,903</b>	<b>10,036</b>	<b>9,070</b>	<b>12,941</b>	<b>11,187</b>	<b>11,343</b>	<b>11,187</b>	<b>11,343</b>
Biennial Change in Expenditures				4,071		519		519
Biennial % Change in Expenditures				23		2		2
Governor's Change from Base								0
Governor's % Change from Base								0
Full-Time Equivalents	9.12	11.86	19.09	44.55	46.53	47.12	46.53	47.12

**2020 - Construction Code**

Balance Forward In	22,867	22,488	21,761	18,275	12,109	4,242	12,109	14,797
Receipts	33,316	35,745	37,151	36,175	36,083	35,883	48,656	48,564
Transfers Out	75							
Balance Forward Out	22,336	21,609	18,275	12,109	4,242		14,797	21,090
<b>Expenditures</b>	<b>33,772</b>	<b>36,624</b>	<b>40,636</b>	<b>42,341</b>	<b>43,950</b>	<b>40,125</b>	<b>45,968</b>	<b>42,271</b>
Biennial Change in Expenditures				12,581		1,098		5,262
Biennial % Change in Expenditures				18		1		6

**Labor and Industry****Agency Financing by Fund***(Dollars in Thousands)*

	Actual FY22	Actual FY23	Actual FY24	Estimate FY25	Forecast Base		Governor's Recommendation	
					FY26	FY27	FY26	FY27
Governor's Change from Base								4,164
Governor's % Change from Base								5
Full-Time Equivalents	141.91	153.95	161.89	222.00	244.00	206.00	256.00	218.00

**2390 - Workforce Development**

Balance Forward In	1	117	1	3,754				
Direct Appropriation	3,447	3,347	9,911	6,826	6,826	6,826	11,826	8,826
Cancellations			13					
Balance Forward Out	117	1	3,754					
<b>Expenditures</b>	<b>3,332</b>	<b>3,462</b>	<b>6,146</b>	<b>10,580</b>	<b>6,826</b>	<b>6,826</b>	<b>11,826</b>	<b>8,826</b>
Biennial Change in Expenditures				9,932		(3,074)		3,926
Biennial % Change in Expenditures				146		(18)		23
Governor's Change from Base								7,000
Governor's % Change from Base								51
Full-Time Equivalents	13.51	15.47	19.59	25.56	28.57	27.15	28.57	27.15

**2830 - Workers Compensation**

Balance Forward In	7,164	5,916	8,072	9,517	6,772	5,537	6,772	5,537
Direct Appropriation	22,991	23,491	30,599	32,669	32,892	32,458	34,776	34,652
Open Appropriation	17,378	33,170	20,443	21,222	19,722	18,422	19,722	18,422
Receipts	2,408	4,782	2,690	2,161	2,161	2,161	2,161	2,161
Transfers Out	121	134	74	74	74	74	74	74
Balance Forward Out	5,271	7,386	9,518	6,772	5,537	4,097	5,537	4,097
<b>Expenditures</b>	<b>44,549</b>	<b>59,839</b>	<b>52,213</b>	<b>58,723</b>	<b>55,936</b>	<b>54,407</b>	<b>57,820</b>	<b>56,601</b>
Biennial Change in Expenditures				6,548		(593)		3,485
Biennial % Change in Expenditures				6		(1)		3
Governor's Change from Base								4,078
Governor's % Change from Base								4
Full-Time Equivalents	202.22	212.80	202.36	199.80	191.40	189.50	203.60	204.60

**3000 - Federal**

Balance Forward In	31	31	31					
Receipts	6,436	6,521	7,718	7,835	7,669	7,721	7,669	7,721

**Labor and Industry****Agency Financing by Fund***(Dollars in Thousands)*

	Actual FY22	Actual FY23	Actual FY24	Estimate FY25	Forecast Base FY26 FY27		Governor's Recommendation FY26 FY27	
Balance Forward Out	29	31	24					
<b>Expenditures</b>	<b>6,438</b>	<b>6,521</b>	<b>7,724</b>	<b>7,835</b>	<b>7,669</b>	<b>7,721</b>	<b>7,669</b>	<b>7,721</b>
Biennial Change in Expenditures				2,601		(169)		(169)
Biennial % Change in Expenditures				20		(1)		(1)
Governor's Change from Base								0
Governor's % Change from Base								0
Full-Time Equivalents	39.14	40.23	43.70	52.75	50.55	48.25	50.55	48.25

**3015 - ARP-State Fiscal Recovery**

Direct Appropriation	100		125					
<b>Expenditures</b>	<b>100</b>		<b>125</b>					
Biennial Change in Expenditures				25		(125)		(125)
Biennial % Change in Expenditures								
Governor's Change from Base								0
Governor's % Change from Base								

**4925 - Family and Medical Benefit Ins**

Balance Forward In				432				
Direct Appropriation			601	374	366	0	366	0
Transfers Out				116				
Balance Forward Out			432					
<b>Expenditures</b>			<b>169</b>	<b>690</b>	<b>366</b>		<b>366</b>	
Biennial Change in Expenditures				859		(493)		(493)
Biennial % Change in Expenditures						(57)		(57)
Governor's Change from Base								0
Governor's % Change from Base								
Full-Time Equivalents			0.54	3.11	2.16		2.16	

**6000 - Miscellaneous Agency**

Balance Forward In	124	136	142	142	142	142	142	142
Receipts	5	6	0					
Balance Forward Out	129	142	142	142	142	142	142	142



## Labor and Industry

## Agency Change Summary

(Dollars in Thousands)

	FY25	FY26	FY27	Biennium 2026-27
<b>Direct</b>				
<b>Fund: 1000 - General</b>				
<b>FY2025 Appropriations</b>	<b>8,552</b>	<b>8,552</b>	<b>8,552</b>	<b>17,104</b>
<b>Base Adjustments</b>				
All Other One-Time Appropriations		(1,271)	(1,271)	(2,542)
Biennial Appropriations		14	14	28
Current Law Base Change			19	19
Allocated Reduction	(90)	(90)	(90)	(180)
Minnesota Paid Leave Allocation		7	7	14
<b>Forecast Base</b>	<b>8,462</b>	<b>7,212</b>	<b>7,231</b>	<b>14,443</b>
<b>Change Items</b>				
Misclassification Enforcement Funding		281	286	567
Operating Adjustment		144	292	436
<b>Total Governor's Recommendations</b>	<b>8,462</b>	<b>7,637</b>	<b>7,809</b>	<b>15,446</b>
<b>Fund: 2390 - Workforce Development</b>				
<b>FY2025 Appropriations</b>	<b>6,826</b>	<b>6,826</b>	<b>6,826</b>	<b>13,652</b>
<b>Forecast Base</b>	<b>6,826</b>	<b>6,826</b>	<b>6,826</b>	<b>13,652</b>
<b>Change Items</b>				
Statewide Teacher Registered Apprenticeship Grant		5,000	2,000	7,000
<b>Total Governor's Recommendations</b>	<b>6,826</b>	<b>11,826</b>	<b>8,826</b>	<b>20,652</b>
<b>Fund: 2830 - Workers Compensation</b>				
<b>FY2025 Appropriations</b>	<b>32,669</b>	<b>32,669</b>	<b>32,669</b>	<b>65,338</b>
<b>Base Adjustments</b>				
Current Law Base Change		223	(211)	12
<b>Forecast Base</b>	<b>32,669</b>	<b>32,892</b>	<b>32,458</b>	<b>65,350</b>
<b>Change Items</b>				
Operating Adjustment		1,884	2,194	4,078
<b>Total Governor's Recommendations</b>	<b>32,669</b>	<b>34,776</b>	<b>34,652</b>	<b>69,428</b>
<b>Fund: 4925 - Family and Medical Benefit Ins</b>				
<b>FY2025 Appropriations</b>	<b>374</b>	<b>374</b>	<b>374</b>	<b>748</b>
<b>Base Adjustments</b>				
Current Law Base Change		(8)	(374)	(382)
<b>Forecast Base</b>	<b>374</b>	<b>366</b>		<b>366</b>
<b>Total Governor's Recommendations</b>	<b>374</b>	<b>366</b>		<b>366</b>
<b>Open</b>				
<b>Fund: 2830 - Workers Compensation</b>				

## Labor and Industry

## Agency Change Summary

(Dollars in Thousands)

	FY25	FY26	FY27	Biennium 2026-27
<b>FY2025 Appropriations</b>	<b>28,200</b>	<b>28,200</b>	<b>28,200</b>	<b>56,400</b>
<b>Base Adjustments</b>				
Forecast Open Appropriation Adjustment	(6,978)	(8,478)	(9,778)	(18,256)
<b>Forecast Base</b>	<b>21,222</b>	<b>19,722</b>	<b>18,422</b>	<b>38,144</b>
<b>Total Governor's Recommendations</b>	<b>21,222</b>	<b>19,722</b>	<b>18,422</b>	<b>38,144</b>
<b>Dedicated</b>				
<b>Fund: 2000 - Restrict Misc Special Revenue</b>				
Planned Spending	12,941	11,187	11,343	22,530
Forecast Base	12,941	11,187	11,343	22,530
<b>Total Governor's Recommendations</b>	<b>12,941</b>	<b>11,187</b>	<b>11,343</b>	<b>22,530</b>
<b>Fund: 2020 - Construction Code</b>				
Planned Spending	42,341	43,950	40,125	84,075
Forecast Base	42,341	43,950	40,125	84,075
<b>Change Items</b>				
Construction Codes and Licensing Division (CCLD) Fee Alignment		2,018	2,146	4,164
<b>Total Governor's Recommendations</b>	<b>42,341</b>	<b>45,968</b>	<b>42,271</b>	<b>88,239</b>
<b>Fund: 2830 - Workers Compensation</b>				
Planned Spending	2,212	3,396	3,601	6,997
Forecast Base	2,212	3,396	3,601	6,997
<b>Total Governor's Recommendations</b>	<b>2,212</b>	<b>3,396</b>	<b>3,601</b>	<b>6,997</b>
<b>Fund: 3000 - Federal</b>				
Planned Spending	7,835	7,669	7,721	15,390
Forecast Base	7,835	7,669	7,721	15,390
<b>Total Governor's Recommendations</b>	<b>7,835</b>	<b>7,669</b>	<b>7,721</b>	<b>15,390</b>
<b>Revenue Change Summary</b>				
<b>Dedicated</b>				
<b>Fund: 2000 - Restrict Misc Special Revenue</b>				
Forecast Revenues	8,302	8,256	10,129	18,385
<b>Total Governor's Recommendations</b>	<b>8,302</b>	<b>8,256</b>	<b>10,129</b>	<b>18,385</b>
<b>Fund: 2020 - Construction Code</b>				
Forecast Revenues	36,175	36,083	35,883	71,966
<b>Change Items</b>				
Construction Codes and Licensing Division (CCLD) Fee Alignment		12,573	12,681	25,254

**Labor and Industry****Agency Change Summary***(Dollars in Thousands)*

	FY25	FY26	FY27	Biennium 2026-27
<b>Total Governor's Recommendations</b>	<b>36,175</b>	<b>48,656</b>	<b>48,564</b>	<b>97,220</b>
<b>Fund: 2830 - Workers Compensation</b>				
Forecast Revenues	2,161	2,161	2,161	4,322
<b>Total Governor's Recommendations</b>	<b>2,161</b>	<b>2,161</b>	<b>2,161</b>	<b>4,322</b>
<b>Fund: 3000 - Federal</b>				
Forecast Revenues	7,835	7,669	7,721	15,390
<b>Total Governor's Recommendations</b>	<b>7,835</b>	<b>7,669</b>	<b>7,721</b>	<b>15,390</b>
<b>Non-Dedicated</b>				
<b>Fund: 1000 - General</b>				
Forecast Revenues	35	747	747	1,494
<b>Change Items</b>				
Misclassification Enforcement Funding			90	90
Strengthening Mandatory Break Laws		20	20	40
<b>Total Governor's Recommendations</b>	<b>35</b>	<b>767</b>	<b>857</b>	<b>1,624</b>
<b>Fund: 2830 - Workers Compensation</b>				
Forecast Revenues	65,046	63,246	61,246	124,492
<b>Total Governor's Recommendations</b>	<b>65,046</b>	<b>63,246</b>	<b>61,246</b>	<b>124,492</b>

**Department of Labor and Industry****FY 2026-27 Biennial Budget Change Item****Change Item Title: Construction Codes and Licensing Fee Alignment**

<b>Fiscal Impact (\$000s)</b>	<b>FY 2026</b>	<b>FY 2027</b>	<b>FY 2028</b>	<b>FY 2029</b>
General Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Construction Code Fund				
Expenditures	2,018	2,146	2,146	2,146
Revenues	12,573	12,681	12,681	12,681
Net Fiscal Impact = (Expenditures – Revenues)	(10,555)	(10,535)	(10,535)	(10,535)
<b>FTEs</b>	<b>12</b>	<b>12</b>	<b>12</b>	<b>12</b>

**Recommendation:**

The Governor recommends increasing permit, inspection, plan review, and certain registration fees for six units within the Construction Codes and Licensing Division (CCLD). Because CCLD operates on a fee for service basis, fees charged need to align with the program costs of each unit. Currently, fees assessed in several areas are inadequate to fund the costs of providing services due to inflationary and cost increases. The impacted units include electrical inspections, elevator inspections, boiler inspections, plumbing plan review, plumbing inspections, and manufactured structures. In addition, the request integrates class 4 electrical systems into Minnesota law to keep up with emerging low-voltage electrical technologies. The request would fund an additional 12 FTE to meet growing demand for services.

This request increases forecasted revenues to the construction code fund by 35% and increases operating expenditures by 5%. The 30% variance between increased revenues and increased operating expense is attributed to the fee for service model by rebalancing fees to maintain adequate service levels.

**Rationale/Background:**

The fees charged for services in CCLD need to align with the costs of providing those services to ensure a stable budget and continue the high level of service provided to Minnesota's construction industry and the general public. These fees have not increased in many years.

<b>Unit</b>	<b>Year of last fee change</b>
Electrical Inspections	2007
Plumbing Inspections	2013
Boiler Inspections	2005
Plumbing Plan Review	2007
Manufactured Structures	2008
Elevator Inspections	2007

These units are currently operating at a deficit which, if not addressed, will jeopardize the ability of the units to provide services effectively. This would have a widespread negative impact in the construction industry and beyond.

**Proposal:**

This proposal is a change to the existing fees in six units in the Construction Codes and Licensing Division. The fee adjustments will align the fees for the services with the actual costs of providing those services in the six units: electrical inspections, manufactured structures, plumbing inspections, boiler inspections, elevator inspections, and plumbing plan review. The proposal will support 2 additional FTEs in electrical inspections, 1 additional FTE in plumbing inspections, 1 additional FTE in boiler inspections, 2 additional FTEs in plumbing plan review, 2 additional FTEs in elevator inspections, and 4 additional FTEs in manufactured structures.

**Electrical Inspections**Fee Changes:

The Department's electrical unit is responsible for electrical inspections for much of the Twin Cities metro area and a majority of the regions in greater Minnesota. In FY24, the electrical unit conducted 197,458 electrical inspections between state employee and contract electrical inspectors. Over the last two years, the department began transitioning from contract/vendor electrical inspections to employee electrical inspections. The Department initiated this transition because the contract program was increasingly offering compensation rates that exceeded the cost of providing inspection services in order to attract contract electrical inspectors in certain areas of the state.

Once the transition is complete, the unit will employ 77 state field inspectors, including 7 virtual inspectors. Although employing state inspectors will cost the agency more to provide the inspection service in contrast to the contract electrical inspection program, this model will create more stability for the program and improve service through more consistent worksite license and ratio checks, better ensuring adequate worker supervision, safety, and qualifications. Additionally, the department will continue to generate efficiencies by expanding the virtual inspection program. Virtual inspections provide on-the-spot/real-time inspections for smaller projects while the electrical contractor is on the work site. This avoids the need for return trips, reducing project delays for contractors and reducing carbon emissions.

Currently, the electrical inspections unit employs 6 full time virtual electrical inspectors and has conducted more than 2,000 electrical inspections per month in recent months. This proposal provides sufficient revenue to hire 1 additional virtual inspector and 1 additional field inspector to support the expansion of this valuable and efficient approach to electrical inspections.

The electrical inspections unit is forecasting a net deficit of \$6.9 million each year. To address the deficit, DLI proposes the implementation of:

- A \$25 electrical permit application fee
- A \$10 virtual electrical inspection fee
- An increase in the minimum field electrical inspection fee from \$35 to \$55
- An increase in the per circuit fee from \$6.00 to \$12.00

This fee structure will fund the costs of the electrical inspection program while ensuring fee increases do not fall disproportionately on smaller projects/lower valued permits. Additionally, a reduced virtual inspection fee better matches the cost of providing this service and will incentivize contractors to use the technology.

Class 4 Systems: By adding "class 4" circuits to the Technology System or Circuits definition in 326B.31, the language will address a new technology that was introduced in the 2023 edition of the National Electrical Code (NEC). Class 4 systems are an evolving technology that incorporates a fault-managed power system. By limiting the fault energy, it mitigates the risk of shock or fire and allows the system to be installed similar to that of power-limited circuits. The use of class 4 systems for premise wiring systems will reduce installation costs. The Board of Electricity adopted the 2023 NEC on July 1, 2023, and in the fall of 2023, the board reviewed the licensing and inspections laws associated with class 4 systems. In the end, the board determined that a Technology System Contractor could install the class 4 system and that electrical inspections should be required. The proposed

changes will incorporate the additional fees associated with inspections of class 4 installations. Since this is an emerging technology and new to the market, few systems are being installed today due to product availability. The impact of costs associated with the additional inspection fee would be minimal.

Energy Storage and Battery Systems: The installation of energy storage and battery system technologies has greatly increased in recent years. Current inspection fee schedules for solar and wind electrical installations which power these energy storage and battery systems, are not structured specifically for this renewable energy technology. The proposed fee schedule is similar to those that are collected for wind and solar installations and will not increase fees currently being collected by the department for energy storage and battery projects.

### **Elevator Inspections**

The Department's elevator inspections unit provides inspections on all newly installed and altered elevator-related devices as well as periodic safety inspections on over 24,000 existing elevator-related devices. The number of existing elevator-related devices continues to increase as more elevators are constructed. The department adds an average of 475 elevators to the periodic safety inspection workload annually through new construction.

The elevator operating permit fee was set in statute in 2007 and funds the periodic safety inspections program. At that time, it was estimated approximately 15,000 elevators existed statewide.

Revenue generated in FY23 and FY24 resulted in negative funding for the program.

DLI proposes to increase the annual elevator operating permit fee from \$100 to \$145, create a \$10 elevator virtual inspection fee, and hire 2 new FTE elevator inspectors. The additional revenue will support and maintain projected services through FY29. Additionally, a reduced virtual inspection fee better matches the cost of providing this service and will incentivize contractors to use the technology.

### **Boiler Inspections**

The Department's boiler inspection unit provides boiler and pressure vessel, boats for hire, and hobby boiler/steam show inspection services statewide. In FY24, the unit conducted 8,443 inspections of these devices. The unit also performs triennial audit service for ASME Code and national board stamp holders upon request. The unit maintains current and historical inspection data for over 76,000 boilers and pressure vessels. The boiler/pressure vessel registration fees help offset the cost of providing these services.

The responsibility to inspect boiler and pressure vessel devices is split between the department boiler inspection unit which inspects approximately 11,400 devices and insurance company inspectors that inspect the remaining 64,600 devices. When insurance companies stop providing inspections on those devices or fail to report inspections, the workload is shifted to the department's boiler inspection unit. As such, the unit must maintain sufficient staffing to meet inspection needs and ensure public safety.

For the last decade, this unit has maintained 10 boiler inspector positions. The cost of operations for this unit have risen by 74% from \$1.2 million in SFY13 to \$2.09 million forecasted in SFY25. All cost increases to the unit have been due to inflationary costs. During this same period, fee revenues for this unit have remained flat at \$1.04 million each year, which is a forecasted net deficit of \$1.05 million. DLI proposes increasing the boiler registration fee from \$10 to \$25. The net fee increase of \$15 would generate the additional \$1.05 million needed for DLI to support the cost of their operations. To help offset the increasing backlog of overdue inspections, DLI is also proposing to add one FTE boiler inspector to the boiler inspection unit.

### **Plumbing Plan Review**

The plumbing plan review unit reviews plumbing construction documents to ensure compliance with the Minnesota Plumbing Code for all non-residential buildings and for residential buildings having five or more dwelling units. In FY24, the unit completed 2,469 plumbing plan reviews. From 2005, when Governor Pawlenty

consolidated administration of the Minnesota Plumbing Code into the Minnesota Department of Labor and Industry/Construction Codes and Licensing Division, until 2023, this unit maintained 8 plan reviewer positions. Starting in 2017 the unit began accepting electronic documents for plan review at a steadily increasing rate such that nearly 90% of the review packages are now in electronic format. Reviewing electronic documents saves stakeholders substantial cost in printing, mailing, coordination, and time. However, plan review of electronic documents is more labor intensive and more time consuming.

Plumbing plan review has experienced an increase in average plan review wait times over the past six years due to changes in technology and a general reduction in the quality and completeness of documents submitted for review. Average wait times for the first review have increased from three weeks to twelve weeks. To address these wait times, the unit has increased plan review staff by 60%, adding five new plan reviewers to its original staff of 8 and plans to add two additional plan reviewers to the staff prior to January 1, 2025 increasing the original staff by 87.5%. With the additional staff, DLI anticipates a reduction in wait times for review from twelve weeks to an average of three weeks after the new staff are trained.

Since SFY12, plumbing plan review fee revenues have remained flat at \$1.2 million each year. Fees have not been adjusted since 2007. The current operating budget for the unit is \$2.4 million, resulting in a deficit of \$1.2 million for the unit. The current fixture-based fee structure does not consider the higher cost of reviewing small projects, the economies of scale in reviewing larger projects, nor does the fee structure differentiate between straightforward projects and highly complex projects. DLI is proposing to implement a valuation-based fee structure to more accurately reflect the cost of services provided. A valuation-based fee structure can be graduated to charge an incrementally higher rate for smaller projects to cover costs of administration. The valuation-based fee structure is graduated for projects of higher valuation which can leverage economies of scale for plan review. More complex projects will also have higher valuation costs which will be reflected in incrementally higher plan review fees.

DLI has collected valuation data for the past year and projected the cost of providing plan review services in order to develop valuation-based fee structure. This proposed fee structure will cover DLI's costs to provide plumbing plan review services over the next five to six years assuming average inflation rates of 3% for both expenses and fee valuations.

### **Plumbing Inspections**

The plumbing inspections unit provides field inspections for plumbing installations to ensure compliance with the Minnesota Plumbing Code for all non-residential buildings and for residential buildings having five or more dwelling units. In FY24, the unit conducted 5,202 plumbing inspections. There are currently seven regional plumbing inspectors covering the entire state of Minnesota. DLI proposes adding one plumbing inspector to the current staff of seven and to reconfigure the assigned regions into eight regions. This is projected to reduce inspector drive time by 10-15% and increase the average number of inspections that can be performed in a workday by a similar amount. This would result in a projected reduction of inspection wait times and an efficiency improvement of 15% due to reduction in travel time.

The additional plumbing inspector proposed in this request brings the plumbing inspections unit to 8.25 FTE supported by plumbing inspection fee revenues. The unit generates an average total of just \$650,000 in revenue each year, while the inspection unit's operating budget is forecasted at \$1.59 million each year, a net deficit of \$940,000. Similar to plumbing plan review, the current fixture-based fee structure does not consider the higher cost of inspecting small projects, the economies of scale in inspecting larger projects, nor does the fee structure differentiate between straightforward projects and highly complex projects. DLI is proposing to implement a valuation-based fee structure to more accurately reflect the cost of services provided. A valuation-based fee structure can be graduated to charge an incrementally higher rate for smaller projects to cover costs of travel and administration. The valuation-based fee structure is also graduated for projects of higher valuation which can



leverage economies of scale inspections. More complex projects will also have higher valuation costs which will be reflected in incrementally higher inspections fees.

DLI has collected valuation data for the past year and projected the cost of providing inspections services through permitting in order to develop valuation-based fee structure. This proposed fee structure will cover DLI's costs to provide plumbing inspection services over the next five to six years assuming average inflation rates of 3% for both expenses and fee valuations.

### **Manufactured Structures**

The manufactured structures unit is comprised of three distinct components: the manufactured housing program, prefabricated buildings program and industrialized and modular buildings program. All three components integrate both plan review and field inspections of plant fabrication work. The current staff of five provide multiple functions of plan review, plant inspections and field inspections throughout the state within the context of their duties.

The first unit component is the manufactured housing program administered by DLI/CCLD as a delegate of the Federal Department of Housing and Urban Development (HUD). Manufactured homes are comprised of multiple sections (floors) constructed on a permanent chassis within a factory and shipped to a local site for installation. Fees for this program have not been modified since 2012 and are proposed to be adjusted to provide funding to support the component services required by the federal HUD program. DLI is responsible for auditing manufactured home dealers, home installations, and safety criteria for the sale of previously owned manufactured homes. DLI proposes adding one FTE to facilitate the required auditing. DLI proposes to modify or add fees as follows:

- Increase installation seal fees from \$80 to \$175 per initial home installation.
- Assess a shipment fee of \$75 per floor for all manufactured home units shipped to Minnesota dealers regardless of the manufacturer's location.
- Assess a new resale decal fee of \$100 for previously owned manufactured homes. The decal indicates that the home has been reviewed to meet statutory minimum requirements. DLI will audit the decal inspections program as part of dealer auditing. New minimum statutory requirements include provisions for minimum life safety, electrical, plumbing, heat-producing equipment, and general requirements. These minimum statutory requirements are similar to what other states, such as Alabama, use.
- Implement a new licensing requirement for manufactured home salespersons with a new licensing fee of \$80 per bi-annual license. Several manufactured homes dealers run their operations from out of state and have in-state sales staff. DLI is proposing to require licensing of salespersons to ensure that those working directly with home buyers have a clear understanding of the rules and regulations governing manufactured homes. Currently there is no licensing criteria for salespersons. The licensing will have an education component which will require a fee to fund the program administration.

The revenue from these proposed fees will support the existing program and enable to unit to better serve Minnesota manufactured homeowners. HUD requires that manufactured homes receive a final inspection prior to occupancy. There are vast parts of greater Minnesota where there is no local administration of the building code. Homeowners in these areas are currently waiting 6-12 months for private inspections of the final home installation before they can move in. The private market currently provides this service ranging from \$1,200-\$1,600 per home. Because many of these homeowners are lower resourced, this is a hardship that DLI/CCLD would like to address. DLI proposes adding 3 FTE to support this service and provide it at the lowest market rate cost currently available in the private sector. The goal is to complete the final inspection within 3 weeks of installation. In areas where there is local code adoption, the local building officials will continue to provide this service.

The second component of manufactured structures is the prefabricated buildings program. This is the smallest of the three programs. Prefabricated buildings are constructed in a controlled environment and then shipped to a



site for installation on a permanent foundation. Often these buildings are homes or small offices constructed in high schools to teach students the skills required in the construction trades. Plan review and inspection fees are charged on a valuation basis. There is no fee change proposed for this program.

The third component of manufactured structures is industrialized and modular buildings regulated by the Interstate Industrialized Building Commission (IIBC). These buildings include factory construction of whole building modules for shipment and assembly on site. They may be highly complex multi-story buildings. The range of buildings and the complexity of the structures manufactured by this industry have grown exponentially in the past half-decade that generate increasing workload demands on DLI staff. DLI's work under this program has been charged on an hourly basis using an hourly rate that does not cover the cost of administering the program. Additionally, because fees are charged on an hourly basis, manufacturers are unable to clearly predict the final cost of permit administration and struggle to include accurate costs in their construction costs. This type of building is most closely aligned with DLI's standard building permit fee structure, and it is appropriate to include a similar valuation-based fee schedule for the plan review of these structures that provides predictable fees for manufacturers and will help to cover costs for administering the program. DLI proposes fee modifications as follows:

- Increase the hourly rate from \$63.25/hour to \$125/hour for Systems Manual review and updating, Quality Control Manual review and coordination, Installation manuals, and miscellaneous plan review and inspections not covered by the normal plan review fees or permit fees.
- Shift from using an hourly rate for plan review of commercial buildings to using the valuation-based building plan review fee schedule similar to all other building plan review projects reviewed by DLI. Valuation will include all of the fabricated elements of the building.
- Shift from using an hourly rate for plan review of single-family residential buildings to using the valuation-based building plan review fee schedule similar to all other building plan review projects reviewed by DLI. Valuation will include all of the fabricated elements of the building.

#### Dollars in Thousands

Component Revenue	FY 26	FY 27	FY 25-27	FY 28	FY 29	FY 28-29
Boiler Inspections	1,065	1,065	2,130	1,065	1,065	2,130
Electrical Inspections	6,881	6,881	13,762	6,881	6,881	13,762
Elevator Inspections	923	923	1,846	923	923	1,846
Manufactured Structures	1,175	1,199	2,374	1,199	1,199	2,398
Plumbing Plan Review	1,617	1,671	3,288	1,671	1,671	3,342
Plumbing Inspections	912	942	1,854	942	942	1,884
<b>Total Revenue</b>	<b>12,573</b>	<b>12,681</b>	<b>25,254</b>	<b>12,681</b>	<b>12,681</b>	<b>25,362</b>

Component Expenditures	FY 26	FY 27	FY 25-27	FY 28	FY 29	FY 28-29
Boiler Inspections	170	182	352	182	182	364
Electrical Inspections	354	376	730	376	376	752
Elevator Inspections	355	375	730	375	375	750
Manufactured Structures	640	680	1,320	680	680	1,360
Plumbing Plan Review	315	339	654	339	339	678
Plumbing Inspections	184	194	378	194	194	388
<b>Total Expenditures</b>	<b>2,018</b>	<b>2,146</b>	<b>4,164</b>	<b>2,146</b>	<b>2,146</b>	<b>4,292</b>

Component FTE	FY 26	FY 27	FY 28	FY 29
Boiler Inspections	1.0	1.0	1.0	1.0
Electrical Inspections	2.0	2.0	2.0	2.0
Elevator Inspections	2.0	2.0	2.0	2.0
Manufactured Structures	4.0	4.0	4.0	4.0
Plumbing Plan Review	2.0	2.0	2.0	2.0
Plumbing Inspections	1.0	1.0	1.0	1.0
<b>Total FTE</b>	<b>12.0</b>	<b>12.0</b>	<b>12.0</b>	<b>12.0</b>

### **Impact on Children and Families:**

This proposal is intended to assist in the continued protection of the health, safety and welfare of the Minnesota public through the administration and enforcement of reasonable and uniform standards for Minnesota's buildings and construction professionals. As such, it will positively impact children and families.

### **Equity and Inclusion:**

These proposals will positively impact the public at large and the construction industry stakeholders served by the Construction Codes and Licensing division by ensuring that services can continue to be delivered in a timely and high-quality manner.

### **Tribal Consultation:**

The department has no construction oversight within any Tribal Nation but will/has provided project plan review and construction inspection services when requested by a Minnesota Tribal Government.

### **Results:**

#### **Elevator Inspections**

Over the last several years, the Department has continued to increase the frequency of periodic elevator inspections by increasing inspection personnel each FY as operating permit revenues allowed. However, the costs of providing these inspections have increased much faster than operational revenues. Increasing the operating permit fee will allow the Department to hire additional inspectors which will decrease the time between these periodic safety inspections and in turn provide safer elevator equipment operating throughout the state.

#### **Boiler Inspections**

The boiler inspections unit has increasingly been losing ground on both the supporting fees and the ability to perform periodic safety inspections as required by statute. Adjusting fees will provide the necessary funding to support the proposed staffing level. Adding more field support should help to decrease the backlog of periodic safety inspections that have been created through the addition of new devices and the transfer of devices from insurance inspections to state inspections. Decreasing the time between safety inspections will generally provide fewer opportunities for unsafe conditions to go unnoticed and in turn provide safer equipment.

#### **Plumbing Plan Review**

Plumbing plan review performance measures include: 1) Application wait times in the review queue prior to initiation of the review; 2) Average number of review letters sent to the applicant before compliance is achieved; and 3) Fees that pay for the services provided including overhead.

Because fees are so low, applicants are using DLI's plan review team as their quality control because it is less expensive for DLI to point out their errors than it is for them to find the errors on their own before submitting their plans for review. Raising fees will cover the costs of providing plan review services, pay for additional staff needed to review application packages, and with adequate staffing levels, lower the wait times for application

packages to be reviewed. Ultimately, applicants will find that they are financially better off performing their own quality control and the quality of the initially submitted documents will improve.

DLI has already increased the plumbing plan review staff by 60% as of September 2024 and plan to add two additional plan reviewers prior to January 2025, increasing staff by 87%.

### Plumbing Inspections

The goal with the increase in staff and fee structure changes is to increase overall unit efficiency by providing enough staff to reduce drive time between inspections and spend more time actually providing inspections. Additionally, the fee increases will offset the actual cost of administering the program since fees have not been adjusted since 2013, and more equitably charge applicants for the actual cost for the service provided. Plumbing Inspections performance measures include: 1) Inspection wait times from request to inspection; 2) Efficient use of inspector time by reducing windshield time vs. Inspections time; and 3) Fees commensurate with the services provided including overhead.

### Manufactured Structures

Manufactured structures performance measures include: 1) Fees commensurate with the services provided including overhead; 2) Sufficient staffing to provide mandatory auditing in accordance with the federal Housing and Urban Development (HUD) program and the Interstate Industrial Buildings Commission (IIBC); 3) Sufficient staffing to reinstate jurisdictional exclusivity over plan review and inspections of IIBC regulated buildings to better safeguard the health and safety of Minnesotans; and 4) Sufficient staffing to provide installation inspections services to manufactured home owners in municipalities without local code enforcement who must make private arrangements for inspections and can wait 6-12 months to move into their completed home due to the lack of private inspectors qualified to meet the need.

Unit	Measure	Measure Type	Measure Data Source	Most Recent Data	Projected Change
Plumbing Plan Review	Decrease wait time for contractors - Business days from completed application to Plan Review Initiation	Result	IMS Permitting and Licensing Database	60 business days 09/2024	Wait times reduced to 15 business days
	Improved plan quality - Average number of compliance deficiency letters issued prior to plan review approval	Quality	IMS Permitting and Licensing Database	4 deficiency letters on average prior to approval 09/2024	1.5 deficiency letters on average prior to approval
	Plan review fees cover costs for administering the program	Quantity	IMS Permitting and Licensing Database	Fees are deficient from expenditures by 122% in FY 2025 and has been in progressive deficit since FY 2020	Fees average < 10% deviation from operating costs

<b>Plumbing Inspections</b>	Permit fees cover costs for administering the program	Quantity	IMS Permitting and Licensing Database	Fees are deficient from expenditures by 125%- 134% each Year between FY 2023 and FY 2025	Fees average < 10% deviation from operating costs
	Increased staff size reduces inspector miles per inspection	Quantity	Monthly Vehicle Reports	Average 916 miles per week per inspector	Average 776 miles per week per inspector; 15% reduction in windshield time
	Increased staff size reduces wait times for inspections	Result	IMS Permitting and Licensing Database	18 inspections/week/ inspector	21 inspections/ week/ inspector; 15% more inspections/ week
<b>Mfgd Structures</b>	Fees cover costs for administering the program	Quantity	IMS Permitting and Licensing Database	Fees have been running a substantial and progressive deficit since before FY 2022 in FY 2025 the deficit is currently 213%	Fees average < 10% deviation from operating costs
	Staffing is sufficient to administer the federal requirements for auditing the manufactured structures industry in state.	Result	IMS Permitting and Licensing Database	Auditing achieving approximately 60% of the federal requirement.	Auditing achieves 100% of the federal requirement.
	Staffing is sufficient to reinstitute exclusivity for plan review and plant inspections.	Quality	IMS Permitting and Licensing Database	Audits of third-party plan review and inspections indicate significant safety deficiencies	DLI resumes exclusive jurisdiction over plan review and inspections
<b>Mfgd Structures</b>	Staffing is sufficient to provide installation inspections services to new homeowners in municipalities without local code enforcement.	Result	IMS Permitting and Licensing Database	Homeowners wait 6-12 months for a final inspection before they can move into their home, cost: \$1,200-\$1600	DLI provides home final inspections within three weeks of request, cost: \$1,200 per inspection.

<b>Boilers</b>	Boiler Inspections	Quantity	IMS Permitting and Licensing Database	Department Boiler inspections unit currently has over 3800 overdue boiler inspections that fall under their jurisdiction. The boiler inspection unit has been under funded and operating in a deficit.	If successful with the addition of the new FTE there should be a reduction of overdue boiler inspections, and the fee increase should support the services being provided.
<b>Boilers</b>	Boiler Inspections	Quality		Registration fees provide the revenue needed to support the boiler inspections unit. An increase in the registration fee which has been in place since 2005 will support the fee for service model within CCLD.	Increasing the fees will support the current and additional FTE staffing levels, making them self-supporting, and decrease the number of overdue inspections.
<b>Boilers</b>	Boiler Inspections	Result			Providing timely safety inspections leaves less time for things to go unnoticed which provides more safety to those that rely on their services.
<b>Elevators</b>	Elevator Inspections	Quantity	IMS Permitting and Licensing Database.	In the last two Fiscal years periodic elevator inspection frequency has been at or just below 2 years.	The impact of adding two FTE elevator inspectors is estimated to increase periodic inspections by approx. 1,600 and should result in near annual periodic inspection frequency

<b>Elevators</b>	Elevator Inspections	Quality		Fees have been deficient for the last two fiscal years. 5.6% in FY23 and 14.8% in FY24.	If successful, safety inspection frequencies will decrease and the fees will support the services being provided.
<b>Elevators</b>	Elevator Inspections	Result		Increase the annual operating permit fee that collectively funds our periodic safety inspection program to \$145.	The success of this program should provide some assurance to the public that devices are being inspected regularly.
<b>Elevators</b>	Virtual Stairway Chairlift Inspections	Quantity	IMS Permitting and Licensing Database	The elevator inspections unit has been performing remote virtual inspections and accepting offline field reports on stairway chairlifts.	Inspection costs to the department stairway chairlifts were minimized due to the reduction of travel and actual time to perform the inspection.
<b>Elevators</b>	Virtual Stairway Chairlift Inspections	Quality		The Department recently developed a process where safety and code compliance can be measured remotely	Offline field reports sufficiently verify the safety of the devices and provides a cost savings to both the contractors and owners.
<b>Elevators</b>	Virtual Stairway Chairlift Inspections	Results		Reduce inspection fee to \$10.00 for a virtual or offline field report inspections.	Reduced inspection fee will incentivize contractors to use the technology and continue to promote the expansion of the program and associated cost and carbon emissions savings
<b>Electrical</b>	Completed inspections per inspector disaggregated by virtual and field inspections	Result	IMS Database	Because the virtual inspection program is relatively new, DLI is tracking data and will be able to report on this metric in the future.	DLI anticipates the virtual inspection program will be more efficient because of the elimination of travel time.

<b>Electrical</b>	Virtual Inspections	Result		Reduce minimum inspection fee to \$10.00 for a virtual inspection	The reduced minimum fee will incentivize contractors to use the technology and will continue to promote the expansion of the program and associated cost and carbon emissions savings
<b>Electrical</b>	Increased staff size reduces wait times for virtual inspections	Result	IMS Permitting and Licensing data base	A virtual inspector position will add around 475 inspections per month	5,700 inspections per year reduces the need for on-site inspections and reduces drive time.

#### Part B: Use of Evidence

##### **Plumbing Plan Review:**

1. The proposed plan review fee changes were developed based upon project valuation data gathered since January 2024 in comparison to the quantity and number of plumbing fixture units of projects submitted for review during the same time period and over the past five years. Expenditure data for the unit was also gathered for the past five years and the number of FTEs adjusted to complete the required workload within the statutory requirements with a contingency for busier times. Then the valuation-based fee schedule was developed based upon the anticipated expenditures of the revised unit size and the projected quantity and value of future projects submitted for review.
2. The unit is planned to undergo a process evaluation to identify any further efficiencies that may be found.

##### **Plumbing Inspections (permitting):**

1. The proposed permit fee changes were developed based upon project valuation data gathered since January 2024 in comparison to the quantity and number of plumbing fixture units of projects submitted for review during the same time period and over the past five years. Expenditure data for the unit was also gathered for the past five years and the number of FTEs adjusted to complete the required workload within the statutory requirements with a contingency for busier times. Then the valuation-based fee schedule was developed based upon the anticipated expenditures of the revised unit size and the projected quantity and value of future projects submitted for review.
2. No formal evaluation is planned at this time.

##### **Manufactured Structures:**

1. A MAD study was performed to identify staffing needs, unit priorities and potential restructuring. The study determined that the unit was understaffed to provide the services required by the state building code and the federal HUD program for manufactured homes. This proposal includes proposed staffing changes to right-size the manufactured structures unit and to adjust fees to address the significant shortfall in funding supporting the existing unit, and to provide additional to support the necessary added staff.
2. No additional formal evaluation is planned at this time.

Part C: Evidence-Based Practices

<p>Cost Recovery Fee Schedules: Plumbing Plan Review and Inspections used cost-recovery models that align fees with the actual cost of services provided. This ensures financial sustainability while justifying the need for increases. Many local governments use similar fee structures to ensure that programs are not subsidized by other divisions.</p>	<p><a href="#">GAO-20-195G, Accessible Version, Cost Estimating and Assessment Guide: Best Practice by Developing and Managing Program Cost</a></p>
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**Statutory Change(s):**

326B.106 GENERAL POWERS OF THE COMMISSIONER OF LABOR AND INDUSTRY

326B.154 PREFABRICATED AND INDUSTRIALIZED-MODULAR PLAN REVIEW AND INSPECTION FEES

326B.184 FEES FOR LICENSURE AND PERMIT (Elevators)

326B.2 MANUFACTURED HOME BUILDING CODE

326B.21 DEFINITIONS

326B.22 COMPLIANCE

326B.23 ADMINISTRATION

326B.235 PLACEMENT OF MODULAR HOMES

326B.24 PENALTIES

326B.25 FINES

326B.49 PLUMBING APPLICATIONS AND FEES

326B.6 MANUFACTURED HOME SALES AND MANUFACTURER, DEALER, INSTALLAER, AND SALESPERSON LICENSING (from 327B)

326B.601 DEFINITIONS (from 327B.01)

326B.602 WARRANTIES (from 327B.02)

326B.603 WARRANTIES; DURATION, HONORING (from 327B.03)

326B.604 MANUFACTURERS, DEALERS, AND SALESPERSONS; LICENSES AND BONDS (from 327.04)

326B.6041 MANUFACTURED HOME INSTALLAERS (from 327B.041)

326B.6042 NOTICE TO COMMISSIONER (from 327B.042)

326B.605 DENIAL, SUSPENSION AND REVOCATION OF LICENSES (from 327B.05)

326B.606 DEALER'S RECORDS (from 327B.06)

326B.607 RESPONSIBILITY OF DEALERS (from 327B.07)

326B.608 DUTIES (from 327B.08)

326B.609 PROHIBITIONS (from 327.09)

326B.6095 INTEREST, POINTS, FINANCE CHARGES, FEES, AND OTHER CHARGES (from 327.095)

326B.610 RULEMAKING AUTHORITY (from 327B.10)

326B.611 RECOURSE TO THE BOND (from 327.11)

326B.612 ADDITIONAL REMEDIES AND ENFORCEMENT (from 327B.12)

326B.986 FEES FOR INSPECTION (Boilers)



**Department of Labor and Industry****FY 2026-27 Biennial Budget Change Item****Change Item Title: Misclassification Enforcement Funding**

<b>Fiscal Impact (\$000s)</b>	<b>FY 2026</b>	<b>FY 2027</b>	<b>FY 2028</b>	<b>FY 2029</b>
General Fund				
Expenditures	281	286	286	286
Revenues	0	90	90	90
Other Funds				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact = (Expenditures – Revenues)	281	196	196	196
<b>FTEs</b>	<b>2.5</b>	<b>2.5</b>	<b>2.5</b>	<b>2.5</b>

**Recommendation:**

The Governor recommends \$281,000 in FY26 and \$286,000 each year after from the general fund to increase funding for the enforcement of worker misclassification laws.

**Rationale/Background:**

Employee misclassification occurs when employers fail to treat their workers as employees, denying them workers' compensation insurance, overtime protections, minimum wage, unemployment insurance, earned sick and safe time (ESST), paid leave, and more. Employee misclassification also destabilizes the social safety net by causing an under collection of unemployment insurance premiums and employment taxes. Finally, employee misclassification hurts law-abiding employers, who cannot compete with employers who misclassify their workers and reap corresponding financial benefits.

In 2024, the Legislature strengthened the laws which prohibit the misclassification of employees as independent contractors. Due to these changes, DLI now has the authority to issue compliance orders and order increased damages and penalties to employers who misclassify or misrepresent employees as independent contractors. As of March 1, 2025, in the construction industry context, the test to overcome the presumption that a worker is an employee will require the employer to show that each of 14 elements are met to consider a worker an independent contractor. The laws now also provide for individual and successor liability for employers who misclassify workers. Finally, the law requires the Intergovernmental misclassification education and enforcement partnership to make staffing recommendations for partnership entities, including budget requests to carry out the recommendations necessary to fulfill the duties outlined in Minnesota Statutes § 181.725. The additional staffing in this request is necessary to fulfill these duties.

Misclassification harms individual workers and their families. These workers are likely not receiving the benefits guaranteed to Minnesota employees, such as getting paid at least the minimum wage for all hours worked, overtime pay, ESST benefits, and Women's Economic Security Act (WESA) protections, as well as the benefits of unemployment insurance and workers' compensation insurance. Misclassification harms the overall economy by reducing employee income and protections and harms employers who do follow the law. Law-abiding employers may lose out on business or contracts against employers who have artificially low operating costs due to misclassifying workers.

**Proposal:**

DLI proposes funding an additional 2.5 FTE Labor Investigator Senior positions to increase and strengthen enforcement of worker misclassification laws in construction and non-construction industries, and to increase outreach to educate employers and workers to reduce and deter potential misclassification violations.

DLI is responsible for enforcing misclassification laws found under chapter 181 and corresponding rules. This proposal will fund 2.5 investigators who will concentrate on the complex work of misclassification investigations, addressing both misclassification and the underlying wage and hour violations resulting from the misclassification.

With additional investigative staff available to complete this work, DLI will conduct outreach regarding the laws, complete thorough and complex investigations, make findings of violations when appropriate, and issue compliance orders and penalties. Misclassification-focused investigators will also analyze the wage and hour practices of violators to determine if affected employees are owed back wages for minimum wage, overtime, and ESST violations as well as damages for other lost benefits.

**Revenue**

The changes made in the 2024 legislative session granted DLI the authority to issue compliance orders and order increased damages and penalties to employers who misclassify or misrepresent employees as independent contractors. During the legislative session, DLI estimated \$712,000 in misclassification-related penalties per year.

With the investment of additional staff, additional investigations will be completed and additional misclassification penalty revenue of \$90,000 is projected each year, starting in FY27.

**Impact on children and families**

Reducing employee misclassification will ensure that Minnesota employees receive all the protections required under the law, including those related to minimum wage, overtime, ESST, WESA, unemployment insurance, and workers' compensation insurance. This will have a positive impact on Minnesota children and families.

**Equity and inclusion**

Workers who are misclassified are often in vulnerable situations and may have fewer resources and tools available to them. For example, workers who do not speak English or are from immigrant communities may be more likely to be misclassified or not realize they are being misclassified. Workers with less knowledge of Minnesota labor and employment laws might not realize the harm of being misclassified until they have been injured at work or are fired for needing to take a sick day, for example. Employers can take advantage of or exploit employees' lack of knowledge or vulnerability to present misclassification as an independent contractor as a benefit to the worker.

**Results:****Part A: Performance Measures**

1. DLI will work to reduce the misclassification of employees as independent contractors in construction and non-construction industries by enforcement of the strengthened laws, and by conducting education and outreach. DLI expects to conduct at least ten misclassification investigations by the end of FY2026, which will result in increased penalties to the state and back wages and damages to affected workers who were misclassified. Due to increased enforcement and outreach efforts, DLI expects an increase in calls and complaints regarding misclassification as more Minnesotans become aware of the law and how it can affect them.
2. DLI has data on the issues surrounding each investigation done within the Labor Standards Division and the outcomes of the investigations. The Division also has hotlines and email addresses where employees and employers can ask questions regarding the laws DLI oversees, seek information, or make complaints regarding employers whom employees believe are violating the law. For each call or email received, DLI tracks the issues discussed.

3. As part of the misclassification legislative changes, DLI is part of a new Intergovernmental Misclassification Enforcement and Education Partnership, in which DLI meets with other agencies and offices that are impacted by misclassification of workers, including the Minnesota Attorney General's Office, the Department of Commerce, DEED, and the Department of Revenue. These participants share information and work together to effectively utilize resources and strategically enforce Minnesota laws regarding misclassification. This interagency partnership will improve interagency referrals as members will meet face to face and can facilitate warm handoffs to the most appropriate agency and can also collect and share best practices and ideas.
4. The Intergovernmental Misclassification Enforcement and Education Partnership is tasked with proposing a metric or metrics for monitoring and assessing the number and severity of employee misclassification violations. It is likely that as that work advances, additional relevant metrics will emerge that are not included here.

Measure	Measure type	Measure data source	Most recent data	Projected change
The number of misclassification investigations completed per year	Quantity	Internal DLI database	2023: 6 Projected annually as result of 2024 misclass law changes: at least 10	By the end of FY2026, at least 10 investigations completed annually
Back wages and/or damages to affected workers	Result	Internal DLI database	Unknown	We expect to see an increase but do not know by how much; it will depend on the investigations; will show positive impact to affected workers.
Inquiries from employees, employers, and other stakeholders	Quantity	Internal DLI database	In 2023: approximately 99	In FY2026, at least 200

#### Part B: Use of Evidence

For 2023, data from DLI's internal database was pulled to show the number of inquiries DLI had received regarding misclassification of employees as independent contractors.

#### Part C: Evidence-Based Practices

Evidence-based practice:	Source:
Enforcement of worker misclassification laws	<a href="#">The economic costs of worker misclassification   Economic Policy Institute (epi.org)</a>

**Department of Labor and Industry****FY 2026-27 Biennial Budget Change Item****Change Item Title: Statewide Teacher Registered Apprenticeship Grant**

<b>Fiscal Impact (\$000s)</b>	<b>FY 2026</b>	<b>FY 2027</b>	<b>FY 2028</b>	<b>FY 2029</b>
General Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Workforce Development Fund				
Expenditures	5,000	2,000	0	0
Revenues	0	0	0	0
Net Fiscal Impact = (Expenditures – Revenues)	5,000	2,000	0	0
<b>FTEs</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

**Recommendation:**

The Governor recommends \$5 million in fiscal year 2026 and \$2 million in fiscal year 2027 from the workforce development fund to support establishment of a statewide registered teacher apprenticeship program. Funds will be used to support the development of a statewide registered teacher apprenticeship program and joint apprenticeship training committee (JATC). This JATC will provide critical statewide infrastructure for school districts across the state to connect to consistent, high-quality teacher apprenticeship programming and will scale registered teacher apprenticeship in a timely and cost-effective manner, creating additional career pathways into education for individuals from underrepresented populations and underserved communities.

**Rationale/Background:**

The Apprenticeship Division at the Minnesota Department of Labor and Industry operates under a five-year strategic plan which includes four broad goals aimed at expanding the number of available qualified workers in Minnesota by strengthening and modernizing registered apprenticeship across the state. These goals include:

1. Develop new registered apprenticeship programs in the Drive for Five industries of education, healthcare, information technology and manufacturing;
2. Expand existing registered apprenticeship programs in construction through the addition of more apprentices, new occupations, new employers, or new service areas, including clean economy occupations
3. Increase diversity, equity, inclusion, and accessibility within all registered apprenticeship programs; and,
4. Improve the State's overall alignment to the national apprenticeship system and the state's education and workforce systems.

To date, federal apprenticeship grants have funded a portion of the activities necessary to meet the division's first goal to develop apprenticeship programs in education, including the launch of a statewide, multi-employer early childhood education apprenticeship program in August 2023 and the registration of three teacher apprenticeship programs in August 2024. Additional federal apprenticeship funding has also allowed teachers, school districts, and labor unions to convene to outline appropriate on-the-job learning requirements for teacher licensure, to identify best practices for recruiting underrepresented populations into the teaching profession, and to research effective statewide teacher apprenticeship models in other states. As a result of these activities, multiple school districts have expressed an interest in apprenticeship but have indicated they lack the resources to launch a program of their own. This interest from districts paired with the success the early childhood education registered apprenticeship program and the lessons shared from other states makes a statewide teacher apprenticeship program ideal. Accordingly, additional funding is needed to meet the high demand specifically for registered

teacher apprenticeship programs and to ensure these programs are implemented consistently and in a way that ensures state licensure requirements are met.

The need for funding is compounded by the nature of developing registered apprenticeship programs within the public sector. Unlike registered apprenticeship programs in the private sector, school districts cannot necessarily recoup all the operational costs associated with administering apprenticeship programs in the same way for-profit companies can in other industries. Thus, developing a self-sustaining statewide apprenticeship program that is able to capitalize on economies of scale is critical for creating additional career pathways into teaching, particularly for individuals who are unable to access the profession through the traditional training routes. This proposed registered teacher apprenticeship model mirrors the organizational structure used successfully within the building and construction trades industry in Minnesota for over 80 years. Similarly to construction, this model will meet the needs of majority of school districts.

This statewide approach will not impact teacher RAP programs already operating in the state, nor will it preclude other school districts and charter schools from pursuing their own registered apprenticeship programs or seeking other federal and state apprenticeship resources. However, a statewide approach allows districts to take advantage of economies of scale in program costs and to leverage a broader network of subject-matter experts in the field, resulting in lower costs and more consistent results in teacher preparation.

The Minnesota Professional Educator and Licensing Standards Board's (PELSB) Supply and Demand of Teachers Report still indicates 84 percent of school districts report being "somewhat significantly" or "very significantly" impacted by a teacher shortage. Additionally, Minnesota continues to lag in hiring and retaining racially and ethnically diverse teachers anywhere close to the proportion of students of color and Indigenous students in the state.

This proposal will help ensure Minnesota has a diverse and skilled teacher workforce that meets the needs of our advancing economy.

### **Proposal:**

This proposal would provide one grant award to an education entity representing educators to develop a statewide joint apprenticeship training committee for teacher registered apprenticeships for multiple school districts across the state. Grant funds will be used to pay for personnel costs to plan, operationalize, and administer the statewide teacher apprenticeship program, program infrastructure costs such as software licenses for apprentice tracking systems, curriculum development for related instruction, coordination with postsecondary institutions, training supplies, and marketing and outreach materials. Up to 20 percent of the grant award may be used to offset participating school districts' costs and registered apprentices' fees, including tuition grants to apprentices, stipends for journey-level teachers, and stipends to signatory school districts. Funding may not be used to pay for apprentice wages and apprentices must not incur any cost for their participation in the apprenticeship program.

This grant program is a new initiative which supports Apprenticeship Minnesota's five-year strategic plan and has been developed in coordination with the Minnesota Department of Education and the Minnesota Professional Educators Licensing and Standards Board. Moreover, this proposal complements DEED's Drive for 5 efforts and expands on existing education-specific apprenticeship activities supported through federal grant funding.

### **Impact on Children and Families:**

Registered apprenticeship programs lead to careers that pay a family-sustaining wage. The creation of a statewide registered teacher apprenticeship program will more easily connect existing school district staff and other job seekers interested in the teaching profession who may have previously faced systemic barriers to economic success to an additional career pathway into a good job like teaching, which has traditionally only been accessible through a college or university programs. Additionally, increasing the number of well-educated, highly trained

teachers will mean Minnesota students have the most highly qualified educators providing instruction in their classrooms, benefiting children throughout the state and their educational achievement.

### Equity and Inclusion:

The Minnesota Professional Educator and Licensing Standards Board's (PELSB) Supply and Demand of Teachers Report indicates Minnesota continues to lag in hiring and retaining racially and ethnically diverse teachers anywhere close to the proportion of students of color and Indigenous students in the state. Through the creation of a statewide teacher registered apprenticeship program, additional job seekers interested in teaching will be able to pursue a teaching license through this earn and learn model often in the communities in which they reside. The ability to earn a paycheck close to home while pursuing a teaching license removes a common cited barriers to access to the teaching profession, allowing more individuals from underrepresented communities to pursue a teaching career.

### Tribal Consultation:

Does this proposal have a substantial direct effect on one or more of the Minnesota Tribal governments?

X No

### Results:

#### Part A: Performance Measures

In the first year, Apprenticeship Minnesota expects at least 15 school districts from across to Minnesota to sign on as signatory employers to the statewide joint apprenticeship training committee funded through this proposal, and the JATC will register a minimum of 60 apprentices.

Performance measures included in the chart below are similar to the ongoing performance measures provided to the US Department of Labor as part of Apprenticeship Minnesota's federal apprenticeship grant funding. As part of the federal reporting, Apprenticeship Minnesota collect individual success stories from active apprentices. This interim narrative data will provide additional qualitative evaluation on each program's success and impact.

Measure	Measure type	Measure data source	Most recent data	Projected change
Minimum number of active apprentices at the end of the second year of funding	Quantity	Apprenticeship sponsors register apprentice agreements in a national database called Rapids. Active apprentices represent a count of active apprentices in the Rapids database.	N/A	60 apprentices
Number of active apprentices by men/people of color/individuals with disabilities/veterans	Quantity	Active apprentices by demographic group in Rapids.	N/A	Demographic targets will be set based on DEEDs Drive for Five workforce analysis for education at the time of the grant award.

Measure	Measure type	Measure data source	Most recent data	Projected change
Completion of provisional program review and conversion to permanent registration status.	Result	Apprenticeship Minnesota completes a provisional program review during the program's first year of operation. Programs in good standing at the completion of the first year are converted to a permanent registration status.	N/A	Program receives permanent registration within one year of program operation.
Percentage of apprentices completing their apprenticeship program on-time.	Quality	Apprentice completions recorded in Rapids.	N/A	90% of active apprentices complete their apprenticeship program on-time.

#### Part B: Use of Evidence

A formal quantitative or qualitative program has not been completed. However, In Minnesota, joint apprenticeship training committees in the construction industry have produced skilled workers from statewide, multi-employer programs, primarily through union programs, for over 85 years. Within the education industry, Apprenticeship Minnesota has also found success with a state-wide, multi-employer model of registered apprenticeship in early childhood education with Child Care Aware of Minnesota. Since 2023, Child Care Aware of Minnesota has successfully registered 29 apprentices across 13 employers located across the state.

#### Part C: Evidence-Based Practices

Evidence-based practice:	Source:
A Review of the Literature on Registered Apprenticeships: Evaluating Registered Apprenticeship Initiatives	<a href="https://www.apprenticeship.gov/sites/default/files/ERAL-draft-literature-review-final.pdf">https://www.apprenticeship.gov/sites/default/files/ERAL-draft-literature-review-final.pdf</a>
Building Sustainable Apprenticeships: The Case of Apprenticeship 2000	<a href="https://www.apprenticeship.gov/sites/default/files/urban-institute-building-sustainable-apprenticeships-the-case-of-apprenticeship-2000.pdf">https://www.apprenticeship.gov/sites/default/files/urban-institute-building-sustainable-apprenticeships-the-case-of-apprenticeship-2000.pdf</a>
State Incentives to Promote and Support Apprenticeship: Takeaways from Eight States	<a href="https://www.dol.gov/agencies/eta/research/publications/state-incentives-promote-and-support-apprenticeship-takeaways">https://www.dol.gov/agencies/eta/research/publications/state-incentives-promote-and-support-apprenticeship-takeaways</a>
Women in Apprenticeships and Nontraditional Occupations in the United States	<a href="https://www.apprenticeship.gov/sites/default/files/WANTO-knowledge-report-508%206.15.23.pdf">https://www.apprenticeship.gov/sites/default/files/WANTO-knowledge-report-508%206.15.23.pdf</a>

#### **Statutory Change(s):**

N/A



**Department of Labor and Industry****FY 2026-27 Biennial Budget Change Item****Change Item Title: Operating Adjustment**

<b>Fiscal Impact (\$000s)</b>	<b>FY 2025</b>	<b>FY 2026</b>	<b>FY 2027</b>	<b>FY 2028</b>	<b>FY 2029</b>
General Fund					
Expenditures	0	144	292	292	292
Revenues	0	0	0	0	0
Other Funds					
Expenditures	0	1,884	2,194	2,194	2,194
Revenues	0	0	0	0	0
Net Fiscal Impact = (Expenditures – Revenues)	0	2,028	2,486	2,486	2,486
<b>FTEs</b>	<b>0</b>	<b>12.2</b>	<b>15.1</b>	<b>15.1</b>	<b>15.1</b>

**Recommendation:**

The Governor recommends additional funding of \$0.144 million in FY 2026 and \$0.292 million in each subsequent year from the general fund, as well as \$1.884 million in FY 2026 and \$2.194 in each subsequent year from the workers compensation fund to help address operating cost increases at the Department of Labor and Industry.

**Rationale/Background:**

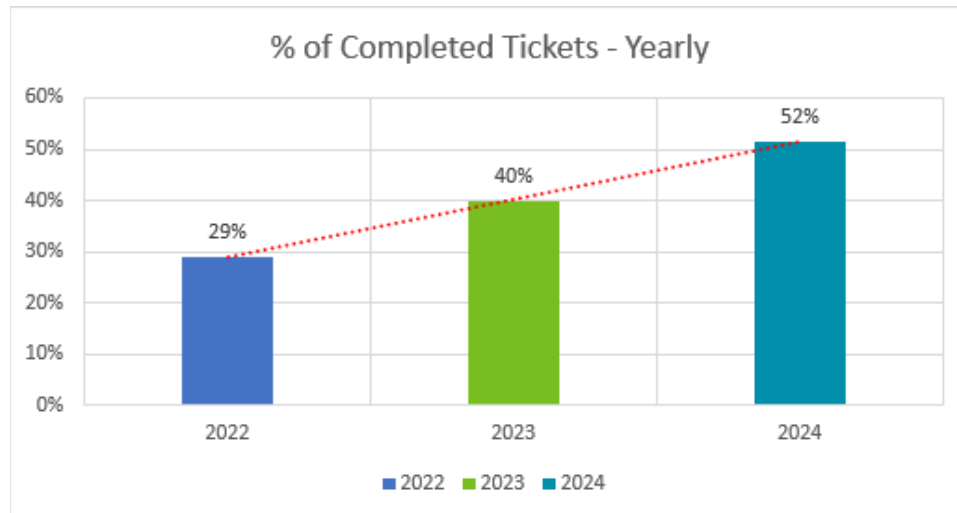
The cost of operations rises each year due to increases in employer-paid health care contributions, FICA and Medicare, along with other salary and compensation-related costs. Other operating costs, like rent and lease, fuel and utilities, and IT and legal services also grow. This cost growth puts pressure on agency operating budgets that remain flat year to year.

Agencies face challenging decisions to manage these rising costs within existing budgets, while maintaining the services Minnesotans expect. From year to year, agencies find ways to become more efficient with existing resources. For the Department of Labor and Industry, the following efficiencies have been implemented to help offset rising operating costs:

- In 2024, the Labor Standards Division hired a newly created Intake/Wage Claim Supervisor position. This position has increased efficiencies in the Division in various manners, including the following:
  - Overseeing the wage claim process within the Division, now mainly handled by labor investigators instead of labor investigator seniors. Having dedicated labor investigator staff primarily responsible for this work has freed labor investigator senior time to focus on time-intensive, complex investigations and has led to overall improved wage claims results – approximately \$301,000 more wages were recovered for workers in CY2024 than CY2023 and the average amount of time to resolve and close a wage claim was reduced from 32 days to 26 days.
  - Reviewing intakes on a regular basis and leading intake meetings. This position regularly reviews intakes received by the Labor Standards Division and provides a synopsis and recommendations for next steps to supervisors and directors before regular intake meetings. This process has led to intake meetings being more efficient and strategic.
- In 2024, the Labor Standards Division hired a newly-created Workers' Rights Coordinator position that focuses on labor and employment law compliance in the meatpacking and poultry processing industries. This position visited 24 worksites in CY2024 and interviewed 135 personnel during these visits. The Division found that this position successfully identified instances of noncompliance with labor and employment laws and informally resolved these instances with employers, ultimately achieving compliance quicker and with fewer resources than more time-intensive investigations.



- Due to evolving Workers' Compensation Division technology, positions previously needed for paper processing have been optimized to meet current stakeholder needs. In 2023, a training and documentation position was created to develop meaningful training materials for our external stakeholders, facilitate the creation of updated internal business process documentation, and assist with knowledge transfer of a number of staff retiring after decades with DLI via one-on-one engagement and documentation for use by current and future staff. Each of these activities promote efficiency for our external stakeholders and DLI staff.
  - For example, since 2023, the training and documentation specialist has researched pain points of external stakeholders, developed, and published on DLI's website seven new video trainings and downloadable materials related to those pain points, held 4 live training sessions, and provided stakeholders with helpful resources at industry events. This has provided significant support to stakeholders to improve efficiency and confidence in their work. This role has also done research and analysis of DLI's website to inform improvements that allow stakeholders to find information efficiently.
- The Workers' Compensation Help Desk was established in 2020 with 4 full time staff to triage questions and issues of external workers' compensation stakeholders.
  - Since it was established, the Help Desk has become the primary initial point of contact for all workers' compensation questions from external workers' compensation stakeholders to DLI. Their goal is to provide an initial response to any inquiry within one business day.
  - The Help Desk now consists of 3 staff who effectively resolved over 50% of nearly 15,000 incoming calls and emails in calendar year 2024. A few years ago, the team was able to address roughly 29% of inquiries.
  - In sum, since 2020, DLI has reduced the number of personnel on the Help Desk and dramatically increased the percentage of calls they are able to resolve without intervention from Workers' Compensation Division staff with more specific expertise. This is an efficiency for both the Workers' Compensation Division and our stakeholders.



For FY 2026-27, agencies will need to continue to find additional efficiencies and leverage management tools to help address budget pressures. Holding open vacancies in certain programs or delaying hiring in other programs are examples of ways agencies manage through constrained operating budgets. Such decisions are difficult and must be weighed against a program's ability to conduct business with less staffing and its impact to service delivery. Agencies will need additional tools and flexibility, similar to those available in the private sector and other government entities, to help address operating pressures in upcoming biennium.

Without additional resources to address these cost pressures, both in funding and in flexibility to manage internal budgets, services delivered to Minnesotans will be impacted.

**Proposal:**

**Dollars in Thousands**

<b>Net Impact by Fund</b>	<b>FY 26</b>	<b>FY 27</b>	<b>FY 25-27</b>	<b>FY 28</b>	<b>FY 29</b>	<b>FY 28-29</b>
General Fund	144	292	436	292	292	584
Other Fund – Workers Compensation	1,884	2,194	4,078	2,194	2,194	4,388
<b>Total All Funds</b>	<b>2,028</b>	<b>2,486</b>	<b>4,514</b>	<b>2,486</b>	<b>2,486</b>	<b>4,972</b>

<b>Fund</b>	<b>Component Description</b>	<b>FY 26</b>	<b>FY 27</b>	<b>FY 25-27</b>	<b>FY 28</b>	<b>FY 29</b>	<b>FY 28-29</b>
GF	Compensation	144	292	436	292	292	584
Workers Compensation	Compensation	1,884	2,194	2,194	2,194	2,194	2,194

**Results:**

This recommendation is intended to help the Department of Labor and Industry address rising cost pressures and mitigate impacts to current levels of service and information to the public.

**Department of Labor and Industry****FY 2026-27 Biennial Budget Change Item****Change Item Title: Strengthening Mandatory Break Laws**

<b>Fiscal Impact (\$000s)</b>	<b>FY 2026</b>	<b>FY 2027</b>	<b>FY 2028</b>	<b>FY 2029</b>
General Fund				
Expenditures	0	0	0	0
Revenues	20	20	20	20
Other Funds				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact = (Expenditures – Revenues)	(20)	(20)	(20)	(20)
<b>FTEs</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

**Recommendation:**

The Governor recommends updating Minnesota’s work and meal break laws (Minn. Stat. 177.253 (Mandatory Work Breaks) and Minn. Stat. 177.254 (Mandatory Meal Break)). This proposal does not involve a funding request but rather requests a legislative change to strengthen mandatory break laws and to provide DLI with more robust tools to enforce break laws and deter violations from occurring; current DLI staff would perform prevention and enforcement work under the proposed legislative change. DLI projects increased revenue from this proposal as it establishes remedies, including penalties, for violations of break laws. Currently, penalties are only available if a breaks violation is found to be repeated or willful.

**Rationale/Background:**

Minnesota is one of few states that does not have a clear standard in statute addressing the amount of time that must be provided to employees for breaks; see <https://www.dol.gov/agencies/whd/state/meal-breaks> for a comprehensive overview of meal break standards by state. Additionally, many states provide a meal period to employees after 5 – 6 hours worked, while Minnesota’s current law provides a meal break for employees working eight or more consecutive hours. Current law in Minnesota also does not provide remedies for break violations unless a violation is repeat or willful. This proposal provides a clear standard for the amount of time that must be provided to employees for meal and rest breaks, requires a meal break for employees after working six hours, and provides clear remedies when these standards are violated. The proposal will provide employers with clearer guidelines regarding break responsibilities and will provide more straightforward guidance to employees regarding their workplace rights. In addition, the clear remedies, including penalties, will deter employers from violating breaks-related laws. Finally, it will help build a thriving workforce by ensuring that jobs in Minnesota are high-quality jobs.

**Proposal:**

This proposal would create a clear standard for the amount of time that employers must provide their employees for rest and meal breaks. The current standards found in Minn. Stat. 177.253 and Minn. Stat. 177.254 do not provide clear guidance to employers or employees about breaks-related rights and responsibilities but rather state that “adequate time” must be provided for rest breaks and “sufficient time” must be provided for meal breaks; these vague standards do not align with the approach taken by the majority of states, which provide specific amounts of time that employers must provide for rest breaks and meal periods; see <https://www.dol.gov/agencies/whd/state/meal-breaks> for a comprehensive overview of meal break standards by state. This proposal instead would state that employees are entitled to at least 15 minutes of rest break time for every four consecutive hours worked and at least a 30-minute meal break for every six consecutive hours worked.

This proposal also reduces the amount of consecutive time that must be worked before a meal period is provided, from eight hours to six hours, to align with the minimum standards provided in many other states. Finally, this proposal provides clear remedies when break-related provisions are violated.

In 2022, DLI's Labor Standards Division received 312 intakes that involved breaks laws; in 2023, this number rose to 345. In 2022, these intakes were resolved in the following manner: 265 were inquiries (staff answered questions or provided resources to stakeholders), 42 were handled through the inform and educate process (employers were informed of their responsibilities under the law and given the opportunity to come into compliance without an investigation), and five resulted in an investigation. In 2023, these intakes resulted in 308 inquiries and 37 matters handled through the inform and educate process, as well as four open investigations. DLI anticipates that if there were clearer standards regarding mandatory time provided for breaks, as well as stronger remedies for violations, it would open more investigations related to breaks violations; it assumes at least 25% of current inform and educate matters would proceed as investigations instead. Therefore, DLI projects it would pursue approximately 16 breaks-related investigations each year. The Labor Standards Division issues penalties in some but not all investigations. Assuming that penalties would be issued in at least 50% of these investigations, and assuming that at least \$2,500 in penalties would be issued in each of these investigations, the projected increase in revenue is \$20,000, starting in FY26.

### **Impact on Children and Families:**

A clear standard regarding the amount of time that must be provided for rest and meal breaks ensures that all employees in Minnesota receive at least the same minimum benefit. There are numerous studies highlighting the health and productivity benefits of regular breaks for employees<sup>1</sup>, and this legislative proposal will improve the health of employees in Minnesota, ultimately improving the health of working families as well.

### **Equity and Inclusion:**

See above. This proposal applies broadly to all employees in the state of Minnesota.

### **Tribal Consultation:**

Does this proposal have a substantial direct effect on one or more of the Minnesota Tribal governments?

No.

### **Results:**

This proposal would provide a clear standard regarding the amount of time employers must provide to employees for breaks, resulting in all employees in Minnesota receiving at least the same minimum benefit. As this proposal also establishes remedies for breaks violations, including penalties, it would provide a strong deterrent to employers from violating the law.

The current standards found in Minn. Stat. 177.253 and Minn. Stat. 177.254 do not provide clear guidance to employers or employees about breaks-related rights and responsibilities but rather state that "adequate time" must be provided for rest breaks and "sufficient time" must be provided for meal breaks; these vague standards do not align with the [approach](#) taken by the majority of states, which provide specific amounts of time in statute that employers must provide for meal periods. There are numerous studies highlighting the health and productivity benefits of regular breaks for employees.<sup>2</sup>

<sup>1</sup> [Employees' work breaks and their physical and mental health: Results from a representative German survey - ScienceDirect](#)

<sup>2</sup> [Employees' work breaks and their physical and mental health: Results from a representative German survey - ScienceDirect](#)

Measure	Measure type	Measure data source	Most recent data	Projected change
Additional breaks inquiries and complaints received from employees because of clear break standards and remedies available	Quantity	Through tracking in OnBase data management system	345 (2023)	Increase in inquiries and complaints received; at least 450 in year after law change goes into effect
Additional breaks complaints successfully resolved through inform and education process with employers because of potential for penalties as well as remedies to employees when noncompliant	Quantity/Quality	Through tracking in OnBase data management system	37 (2023)	Increase in complaints successfully resolved through inform and educate; at least 60 in year after law change goes into effect
Additional breaks-related investigations pursued because of clear break standards and increased penalties and remedies available	Quantity	Through tracking in OnBase data management system	4 (2023)	Increase in investigations; at least 10 in year after law change goes into effect

**Statutory Change(s):**

Minn. Stat. 177.253 and 177.254

**Department of Labor and Industry****FY 2026-27 Biennial Budget Change Item****Change Item Title: Single Egress Stairway Report Appropriation Extension**

<b>Fiscal Impact (\$000s)</b>	<b>FY 2026</b>	<b>FY 2027</b>	<b>FY 2028</b>	<b>FY 2029</b>
General Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Other Funds				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact = (Expenditures – Revenues)	0	0	0	0
<b>FTEs</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

**Recommendation:**

The Governor recommends a one-year extension to the \$225,000 that was appropriated in FY2025 for the Single Egress Stairway Report (2024 MN Session Laws Chapter 127 Article 14 Sec 3, Article 15 Sec 46).

**Rationale/Background:**

During the 2024 session, the Commissioner of DLI was tasked with evaluating conditions under which apartment buildings with a single means of egress above three stories up to 75 feet would achieve life safety outcomes equal to or superior to currently adopted codes, developing recommendations and writing a report. As such, funds were appropriated for contracting with external experts or an independent third party to develop the report. The report is due December 31, 2025. In order to complete the report as required by law, DLI needs funding to be available for FY25 and FY26.

**Proposal:**

DLI is requesting the one-time FY2025 appropriation of \$225,000 be available through 6/30/2026.

**Impact on Children and Families:**

- N/A

**Equity and Inclusion:**

- N/A

**Tribal Consultation:**

Does this proposal have a substantial direct effect on one or more of the Minnesota Tribal governments?

☐ Yes  
☒ No

**IT Costs:**

- N/A

**Results:**

<b>Measure</b>	<b>Measure type</b>	<b>Measure data source</b>	<b>Most recent data</b>	<b>Projected change</b>
Ability to complete the legislatively mandated report	result	Report completed upon publication.	N/A	Published report by 12/31/2025

**Statutory Change(s):**

N/A

**Minnesota Department of Labor and Industry****Program Narrative****Program: Workers' Compensation**

<https://dli.mn.gov/business/workers-compensation-businesses>

**AT A GLANCE**

In fiscal year 2024, the Workers' Compensation Division:

- Resolved more than 1,500 disputes involving injured workers, employers, insurers, vocational rehabilitation providers and health care providers.
- Conducted 421 mandatory coverage investigations.
- Proactively contacted 8,023 new businesses to educate them about workers' compensation laws.
- Completed more than 10,100 assistance contacts including calls, log letters and walk-ins.
- Maintained more than 2.3 million workers' compensation files.
- Conducted 129 rehabilitation consultations to determine an injured worker's eligibility for statutory vocational rehabilitation services.
- Supported more than 9,100 Work Comp Campus (Campus) technology system users through outreach sessions, training materials, communication, and system improvements.

**PURPOSE AND CONTEXT**

The Workers' Compensation Division contributes to the agency's mission by ensuring proper benefits and services are delivered to injured workers quickly and efficiently, and at a reasonable cost to employers. The division educates workers' compensation stakeholders, including injured workers, employers, insurers, vocational rehabilitation providers and health care providers, about Minnesota's workers' compensation laws and enforces those laws. It administers the Special Compensation Fund, which provides benefits to injured workers whose employers failed to carry workers' compensation insurance. The division also provides alternative dispute resolution services to resolve workers' compensation disputes quickly and cost-effectively.

**SERVICES PROVIDED**

The Workers' Compensation Division provides services to stakeholders through its work units:

- Alternative Dispute Resolution;
- Business Technology Office;
- Compliance, Records and Training;
- Office of Workers' Compensation Ombudsman;
- Special Compensation Fund; and
- Vocational Rehabilitation.

The Workers' Compensation Division:

- Contributes to the One Minnesota priority of "Healthy Minnesotans" by educating employees and employers about their rights and responsibilities under workers' compensation laws.
- Provides mediation, ombudsman assistance and other dispute-resolution services.
- Provides workers' compensation benefits to injured workers whose employers did not carry workers' compensation insurance.
- Collects and maintains records pertaining to all workers' compensation injuries in Minnesota with claimed wage-loss or permanent impairment.



- Reviews files for the accuracy of benefit payments and required filings, and issues penalties when appropriate.
- Contributes to the One Minnesota priority of “Thriving Communities, Housing and Workforce” by providing vocational rehabilitation services to injured workers.
- Contributes to the One Minnesota priority of “Fiscal Accountability, Customer Experience and Measurable Results” by engaging with Campus users to identify opportunities for system enhancements and optimized user experience.

### RESULTS

Measure name	Measure type	Previous	Current	Fiscal Year
Workers’ compensation benefits paid*	Quantity	\$17.1m	\$18.6m	2022, 2024
Special compensation fund uninsured recoveries	Quantity	\$701k	\$955k	2022, 2024
Hours of training provided to stakeholders**	Quantity	660	155	2022, 2024
Number of mediations conducted	Quantity	891	610	2022, 2024
Ratio of post- to pre-injury wages for Vocational Rehabilitation unit clients who returned to work	Result	93%	83%	2022, 2024

\*Benefits paid will decline over time as workers’ compensation cases subject to repealed laws are settled and final payments are made.

\*\*The increase in training hours in fiscal-year 2022 was due to an educational campaign for stakeholders related to the Campus platform.

Source: SWIFT and Workers’ Compensation tracking systems, including Campus.

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Minnesota Statutes, chapter 176, provides the legal authority for this program’s activities.

**Workers Compensation****Program Expenditure Overview***(Dollars in Thousands)*

	Actual FY22	Actual FY23	Actual FY24	Estimate FY25	Forecast Base		Governor's Recommendation	
					FY26	FY27	FY26	FY27

**Expenditures by Fund**

1000 - General		125						
2000 - Restrict Misc Special Revenue	9	58	13	58	3	60	3	60
2830 - Workers Compensation	29,838	45,412	34,794	37,993	35,247	33,947	37,131	36,141
<b>Total</b>	<b>29,848</b>	<b>45,595</b>	<b>34,807</b>	<b>38,051</b>	<b>35,250</b>	<b>34,007</b>	<b>37,134</b>	<b>36,201</b>
Biennial Change				(2,584)		(3,601)		477
Biennial % Change				(3)		(5)		1
Governor's Change from Base								4,078
Governor's % Change from Base								6

**Expenditures by Activity**

Workers Compensation	29,848	45,595	34,807	38,051	35,250	34,007	37,134	36,201
<b>Total</b>	<b>29,848</b>	<b>45,595</b>	<b>34,807</b>	<b>38,051</b>	<b>35,250</b>	<b>34,007</b>	<b>37,134</b>	<b>36,201</b>

**Expenditures by Category**

Compensation	10,316	10,820	11,516	12,886	11,546	11,469	13,430	13,663
Operating Expenses	2,268	1,716	3,027	4,153	4,192	4,326	4,192	4,326
Grants, Aids and Subsidies	17,263	33,058	20,263	21,010	19,510	18,210	19,510	18,210
Other Financial Transaction	1	1	2	2	2	2	2	2
<b>Total</b>	<b>29,848</b>	<b>45,595</b>	<b>34,807</b>	<b>38,051</b>	<b>35,250</b>	<b>34,007</b>	<b>37,134</b>	<b>36,201</b>

Total Agency Expenditures	29,848	45,595	34,807	38,051	35,250	34,007	37,134	36,201
Internal Billing Expenditures	49	51	3					
<b>Expenditures Less Internal Billing</b>	<b>29,799</b>	<b>45,544</b>	<b>34,805</b>	<b>38,051</b>	<b>35,250</b>	<b>34,007</b>	<b>37,134</b>	<b>36,201</b>

**Full-Time Equivalents**

	102.05	107.52	102.58	111.90	96.30	93.20	108.50	108.30
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**Workers Compensation****Program Financing by Fund***(Dollars in Thousands)*

	Actual FY22	Actual FY23	Actual FY24	Estimate FY25	Forecast Base FY26 FY27		Governor's Recommendation FY26 FY27	
<b>1000 - General</b>								
Direct Appropriation		125						
<b>Expenditures</b>		<b>125</b>						
Biennial Change in Expenditures				(125)		0		0
Biennial % Change in Expenditures								
Governor's Change from Base								0
Governor's % Change from Base								

**2000 - Restrict Misc Special Revenue**

Balance Forward In	9	6	12	1				
Receipts	6	64	2	57	3	60	3	60
Balance Forward Out	6	12	1					
<b>Expenditures</b>	<b>9</b>	<b>58</b>	<b>13</b>	<b>58</b>	<b>3</b>	<b>60</b>	<b>3</b>	<b>60</b>
Biennial Change in Expenditures				3		(8)		(8)
Biennial % Change in Expenditures				5		(11)		(11)
Governor's Change from Base								0
Governor's % Change from Base								0
Full-Time Equivalents	0.07	0.13	0.10					

**2830 - Workers Compensation**

Balance Forward In	1,049	457	500	1,246				
Direct Appropriation	11,882	12,382	15,190	15,725	15,725	15,725	17,609	17,919
Open Appropriation	17,267	33,060	20,330	21,022	19,522	18,222	19,522	18,222
Receipts	98	13	21					
Balance Forward Out	457	500	1,247					
<b>Expenditures</b>	<b>29,838</b>	<b>45,412</b>	<b>34,794</b>	<b>37,993</b>	<b>35,247</b>	<b>33,947</b>	<b>37,131</b>	<b>36,141</b>
Biennial Change in Expenditures				(2,463)		(3,593)		485
Biennial % Change in Expenditures				(3)		(5)		1
Governor's Change from Base								4,078
Governor's % Change from Base								6
Full-Time Equivalents	101.98	107.39	102.48	111.90	96.30	93.20	108.50	108.30

**Minnesota Department of Labor and Industry****Program Narrative****Program: Construction Codes and Licensing**<https://dli.mn.gov/business/codes-and-laws>**AT A GLANCE**

In fiscal year 2024, the program:

- Issued or renewed 65,209 personal or business licenses and registrations across 81 categories.
- Administered 9,282 license examinations.
- Completed 2,997 building and plumbing plan reviews.
- Issued 134,927 construction permits.
- Performed 230,504 inspections.

**PURPOSE AND CONTEXT**

The Construction Codes and Licensing Division (CCLD) works to protect the health, safety, and welfare of the public by providing reasonable, uniform, and equitable standards for Minnesota's buildings and construction industry. This provides for the safety of the people of Minnesota and fosters a competitive construction economy that encourages business growth and employment opportunities.

**SERVICES PROVIDED**

CCLD performs the following services to protect the public's health, safety, and welfare:

- Code adoption and administration: Ensures building safety through a comprehensive and efficient process of code adoption and uniform statewide code administration.
- Licensing: Assesses the qualifications of construction professionals and protects consumer and worker safety through individual and business licenses.
- Plan review: Reviews construction plans for state-owned and state-licensed facilities, plumbing installations, and manufactured structures to ensure safe, code-compliant buildings.
- Construction permitting: Expedites safe building construction through the efficient processing of permits.
- Inspection services: Provides thorough inspection of building construction projects to ensure their safety and operational integrity, including the regular inspection of elevators, boilers, and high-pressure piping in accordance with state regulations. Conducts select virtual electrical and elevator inspections to streamline service and save inspector travel time.
- Enforcement: Provides fair and balanced enforcement to achieve compliance with licensure and code requirements.
- Outreach and education: Fosters and promotes safe, accessible, and energy-efficient building design and construction through outreach and education to construction professionals and the public.
- Contractor Recovery Fund: Compensates owners or lessees of residential property in Minnesota who have suffered an actual and direct out-of-pocket loss due to a licensed contractor's fraudulent, deceptive, or dishonest practices, conversion of funds or failure of performance.

**RESULTS**

<b>Measure name</b>	<b>Measure type</b>	<b>Previous</b>	<b>Current</b>	<b>Fiscal year</b>
Number of plumbing plan reviews, percent reviewed within 30 days	Quality	2,667 or 53%	2,469 or 65%	2022, 2024
Number of building plan reviews, percent reviewed within 30 days	Quality	629 or 49%	528 or 32%	2022, 2024
Percentage of plumbing and building plan reviews conducted electronically	Result	80.07% Plumbing 94.27% Building	83.18% Plumbing 95.68% Building	2022, 2024
Personal and business licenses and registrations issued	Quantity	43,723 Licenses 17,884 Registrations	45,034 Licenses 20,175 Registrations	2022, 2024
License Exams administered and personal licenses issued	Quantity	7706 Exams 4263 Licenses	9282 Exams 5571 Licenses	2022, 2024
Permits issued (all trades)	Quantity	136,918	134,927	2022, 2024
Boiler and pressure vessel inspections	Quantity	8,154	8,443	2022, 2024
Elevator inspections	Quantity	12,095	13,821	2022, 2024
Plumbing inspections	Quantity	5,493	5,202	2022, 2024
Building inspections	Quantity	4,317	4,409	2022, 2024
High-pressure piping inspections	Quantity	989	1,171	2022, 2024
Electrical inspections	Quantity	181,383	197,458	2022, 2024
Number of completed virtual electrical inspections	Quantity	NA	4,518	NA, 2024
Contractor Recovery Fund count and value of approved claims	Result	65 claims valued at \$1.69 million	99 claims valued at \$2.82 million	2022, 2023

*Source: CCLD's data management system (iMS)*

Minnesota Statutes, chapter 326B, provides the legal authority for all programs within the Construction Codes and Licensing Division.

**Construction Codes and Licensing****Program Expenditure Overview***(Dollars in Thousands)*

	Actual FY22	Actual FY23	Actual FY24	Estimate FY25	Forecast Base FY26 FY27		Governor's Recommendation FY26 FY27	
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**Expenditures by Fund**

1000 - General				225				
2000 - Restrict Misc Special Revenue	1,981	2,559	4,229	5,213	3,184	3,195	3,184	3,195
2020 - Construction Code	33,772	36,624	40,636	42,341	43,950	40,125	45,968	42,271
<b>Total</b>	<b>35,753</b>	<b>39,183</b>	<b>44,865</b>	<b>47,779</b>	<b>47,134</b>	<b>43,320</b>	<b>49,152</b>	<b>45,466</b>
Biennial Change				17,708		(2,190)		1,974
Biennial % Change				24		(2)		2
Governor's Change from Base								4,164
Governor's % Change from Base								5

**Expenditures by Activity**

Construction Codes and Licensing	35,753	39,183	44,865	47,779	47,134	43,320	49,152	45,466
<b>Total</b>	<b>35,753</b>	<b>39,183</b>	<b>44,865</b>	<b>47,779</b>	<b>47,134</b>	<b>43,320</b>	<b>49,152</b>	<b>45,466</b>

**Expenditures by Category**

Compensation	17,030	18,495	21,304	30,349	34,052	29,018	35,700	30,699
Operating Expenses	16,827	18,024	19,074	11,892	9,445	10,665	9,815	11,130
Grants, Aids and Subsidies	1,893	2,637	4,452	5,500	3,600	3,600	3,600	3,600
Capital Outlay-Real Property	0							
Other Financial Transaction	3	26	35	38	37	37	37	37
<b>Total</b>	<b>35,753</b>	<b>39,183</b>	<b>44,865</b>	<b>47,779</b>	<b>47,134</b>	<b>43,320</b>	<b>49,152</b>	<b>45,466</b>

Total Agency Expenditures	35,753	39,183	44,865	47,779	47,134	43,320	49,152	45,466
Internal Billing Expenditures	3,594	4,081	5,146	4,264	3,402	4,638	3,402	4,638
<b>Expenditures Less Internal Billing</b>	<b>32,159</b>	<b>35,101</b>	<b>39,719</b>	<b>43,515</b>	<b>43,732</b>	<b>38,682</b>	<b>45,750</b>	<b>40,828</b>

<b><u>Full-Time Equivalents</u></b>	<b>144.09</b>	<b>154.68</b>	<b>162.74</b>	<b>223.70</b>	<b>245.43</b>	<b>207.42</b>	<b>257.43</b>	<b>219.42</b>
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**Construction Codes and Licensing****Program Financing by Fund***(Dollars in Thousands)*

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY22	FY23	FY24	FY25	FY26	FY27	FY26	FY27
1000 - General								
Direct Appropriation				225	0	0	0	0
Expenditures				225				
Biennial Change in Expenditures				225		(225)		(225)
Biennial % Change in Expenditures								
Governor's Change from Base								0
Governor's % Change from Base								

**2000 - Restrict Misc Special Revenue**

Balance Forward In	9,273	9,564	9,425	7,975	5,212	4,628	5,212	4,628
Receipts	2,272	2,416	2,780	2,450	2,600	2,400	2,600	2,400
Balance Forward Out	9,564	9,422	7,976	5,212	4,628	3,833	4,628	3,833
<b>Expenditures</b>	<b>1,981</b>	<b>2,559</b>	<b>4,229</b>	<b>5,213</b>	<b>3,184</b>	<b>3,195</b>	<b>3,184</b>	<b>3,195</b>
Biennial Change in Expenditures				4,902		(3,063)		(3,063)
Biennial % Change in Expenditures				108		(32)		(32)
Governor's Change from Base								0
Governor's % Change from Base								0
Full-Time Equivalents	2.18	0.73	0.85	1.70	1.43	1.42	1.43	1.42

**2020 - Construction Code**

Balance Forward In	22,867	22,488	21,761	18,275	12,109	4,242	12,109	14,797
Receipts	33,316	35,745	37,151	36,175	36,083	35,883	48,656	48,564
Transfers Out	75							
Balance Forward Out	22,336	21,609	18,275	12,109	4,242		14,797	21,090
<b>Expenditures</b>	<b>33,772</b>	<b>36,624</b>	<b>40,636</b>	<b>42,341</b>	<b>43,950</b>	<b>40,125</b>	<b>45,968</b>	<b>42,271</b>
Biennial Change in Expenditures				12,581		1,098		5,262
Biennial % Change in Expenditures				18		1		6
Governor's Change from Base								4,164
Governor's % Change from Base								5
Full-Time Equivalents	141.91	153.95	161.89	222.00	244.00	206.00	256.00	218.00

**Minnesota Department of Labor and Industry****Program Narrative****Program: General Support**

<https://dli.mn.gov/about-department/about-dli>

**AT A GLANCE**

In fiscal year 2024, the General Support Division:

- Supported approximately 566 agency employees located statewide.
- Administered a \$141 million annual budget.
- Represented agency programs and/or authoritative boards in more than 300 administrative litigation appearances and eight rulemakings.
- Reached more than 5.9 million individuals through agency electronic publications and more than 9 million website views.
- Responded to 61 requests for statistical data, 70% of which were completed within a week.

**PURPOSE AND CONTEXT**

The General Support Division provides leadership and support to agency programs so they can successfully meet their statutory obligations and One Minnesota Plan goals. Primary General Support Division objectives include:

- Managing and training program staff on statewide and agency-specific operating policies and procedures to ensure efficient operations that are compliant with all policies.
- Managing agency resources in a transparent and responsible manner
- Supporting staff training and education to foster a positive and healthy working environment.
- Managing and analyzing data to improve program operations and service delivery.
- Managing technology used by programs and identifying modernization opportunities to improve customer experience.

**SERVICES PROVIDED**

The General Support Division strives to provide efficient and effective services to agency programs. These infrastructure services provide agency support that enables programs to focus on their core responsibilities and achieve agency goals. This is accomplished by each unit as follows.

- Commissioner's Office: Provides strategic One Minnesota Plan direction and servant leadership to the agency. Additional duties include legislative and stakeholder engagement support and executive order adoption and reporting.
- Financial Services: Protects and ensures accountability of the financial resources entrusted to the department. Maximizes the use of the equity procurement program to diversify government spending.
- Communications: Provides stakeholder outreach and education through social media, website management, videos, and publications to promote the work and services of the department.
- Human Resources: Supports staff recruiting, hiring, education and development, promotes a healthy, productive, and respectful work environment, and ensures all work is done in an equitable and inclusive manner to support the diversity and equity goals of the state of Minnesota as an employer.
- Office of General Counsel: Renders legal advice to the department, provides legislative and rulemaking support and advocates for the agency in enforcement and other administrative proceedings.
- Research and Data Analytics: Drives data-based decision-making through comprehensive data governance and data management practices, and ensures divisions are collecting data needed for comprehensive analysis of programmatic outcomes.
- Projects and Planning: Provides organization development and continual improvement support services, monitors agency compliance through an internal controls and risk assessment program.



- Facilities Management: Ensures the safe and sustainable operations of DLI facilities and fleet vehicles, manages shared technology, and supplies, maintains and communicates the business continuity and emergency response plans for the agency.
- Enterprise Business Technology Office and MNIT Services @ Labor and Industry: Manages information technology services through shared technology strategic planning, modernization initiatives, resource planning and a service-level agreement with MNIT for enterprise IT services.

### RESULTS

Measure name	Measure type	Measure data source	Historical trend	Most recent data
Progress toward 30% energy reduction goal	Result	Facility gas and electricity usage	DLI has maintained energy reduction trend since 2020	130% of goal or 39% overall energy reduction (CY2023)
Progress toward 15% water reduction goal	Result	Facility water usage monitoring	DLI has maintained water reduction trend since 2019	311% of goal or 47% overall water reduction (CY2023)
Percentage of total revenue deposited electronically	Result	EPM Data Warehouse (SWIFT)	DLI has intentionally pursued online deposits, increasing over time.	55% (FY2024)
Progress toward 75% solid waste diversion rate	Result	Facility trash, recycling, and organic monitoring	DLI hit 76% diversion rate in 2020; DLI has since drastically reduced overall waste tonnage, primarily paper recycling, driving down diversion percent	65% of goal or 48% diversion rate (CY2023)
Number of and dollars spent with targeted vendors	Quantity	Expenditures made with Department of Administration certified vendors	Increasing	\$374,305 (FY2024)
Count of tribal consultations	Quantity	Data tracked by Public Engagement and Tribal Relations	Increasing	Eight of 11 tribes engaged (FY2024)
Two-year retention of new hires	Result	Data tracked by Human Resources	Improving	76% (FY2021 hires retained to FY2023)
Coordinated agency communication	Quantity	GovDelivery data tracked by Communications	Increasing	393 messages reached 5.9 million recipients (FY2024)
Percentage of electronic systems modernized	Quantity	Data tracked by Enterprise Business Technology Office	Modernization of 15 major systems started in 2015	66%

Minnesota Statutes, chapters 176, 16A, 43A and 341, provide authority for this program's activities.

**General Support****Program Expenditure Overview***(Dollars in Thousands)*

	Actual FY22	Actual FY23	Actual FY24	Estimate FY25	Forecast Base FY26 FY27		Governor's Recommendation FY26 FY27	
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**Expenditures by Fund**

1000 - General	1,078	1,676						
2000 - Restrict Misc Special Revenue	5,837	7,311	4,792	7,605	7,966	8,037	7,966	8,037
2830 - Workers Compensation	6,029	6,015	8,804	9,232	9,232	9,232	9,232	9,232
3000 - Federal	293	143	128	140	141	141	141	141
<b>Total</b>	<b>13,237</b>	<b>15,144</b>	<b>13,724</b>	<b>16,977</b>	<b>17,339</b>	<b>17,410</b>	<b>17,339</b>	<b>17,410</b>
Biennial Change				2,320		4,048		4,048
Biennial % Change				8		13		13
Governor's Change from Base								0
Governor's % Change from Base								0

**Expenditures by Activity**

General Support Division	13,237	15,144	13,724	16,977	17,339	17,410	17,339	17,410
<b>Total</b>	<b>13,237</b>	<b>15,144</b>	<b>13,724</b>	<b>16,977</b>	<b>17,339</b>	<b>17,410</b>	<b>17,339</b>	<b>17,410</b>

**Expenditures by Category**

Compensation	7,022	7,613	8,967	10,313	10,846	10,910	10,846	10,910
Operating Expenses	6,209	7,342	4,674	6,664	6,493	6,500	6,493	6,500
Other Financial Transaction	5	188	84					
<b>Total</b>	<b>13,237</b>	<b>15,144</b>	<b>13,724</b>	<b>16,977</b>	<b>17,339</b>	<b>17,410</b>	<b>17,339</b>	<b>17,410</b>

Total Agency Expenditures	13,237	15,144	13,724	16,977	17,339	17,410	17,339	17,410
Internal Billing Expenditures	23	33	25	17	13	19	13	19
<b>Expenditures Less Internal Billing</b>	<b>13,214</b>	<b>15,111</b>	<b>13,700</b>	<b>16,960</b>	<b>17,326</b>	<b>17,391</b>	<b>17,326</b>	<b>17,391</b>

**Full-Time Equivalents**

	58.76	66.80	70.11	79.50	82.00	81.50	82.00	81.50
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**General Support****Program Financing by Fund***(Dollars in Thousands)*

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY22	FY23	FY24	FY25	FY26	FY27	FY26	FY27
1000 - General								
Balance Forward In	953	776						
Direct Appropriation	900	900						
Balance Forward Out	776							
Expenditures	1,078	1,676						
Biennial Change in Expenditures				(2,753)		0		0
Biennial % Change in Expenditures				(100)				
Governor's Change from Base								0
Governor's % Change from Base								
Full-Time Equivalents		0.30	0.02					

**2000 - Restrict Misc Special Revenue**

Balance Forward In	2,359	2,191	1,497	4,986	3,096	703	3,096	703
Receipts	5,669	6,613	8,282	5,715	5,573	7,589	5,573	7,589
Internal Billing Receipts	5,669	6,455	8,097	5,437	5,095	7,188	5,095	7,188
Balance Forward Out	2,191	1,492	4,986	3,096	703	255	703	255
<b>Expenditures</b>	<b>5,837</b>	<b>7,311</b>	<b>4,792</b>	<b>7,605</b>	<b>7,966</b>	<b>8,037</b>	<b>7,966</b>	<b>8,037</b>
Biennial Change in Expenditures				(751)		3,606		3,606
Biennial % Change in Expenditures				(6)		29		29
Governor's Change from Base								0
Governor's % Change from Base								0
Full-Time Equivalents	6.19	9.96	17.58	42.25	44.50	45.10	44.50	45.10

**2830 - Workers Compensation**

Direct Appropriation	6,039	6,039	8,765	9,106	9,106	9,106	9,106	9,106
Open Appropriation	111	110	113	200	200	200	200	200
Transfers Out	121	134	74	74	74	74	74	74
<b>Expenditures</b>	<b>6,029</b>	<b>6,015</b>	<b>8,804</b>	<b>9,232</b>	<b>9,232</b>	<b>9,232</b>	<b>9,232</b>	<b>9,232</b>
Biennial Change in Expenditures				5,993		428		428
Biennial % Change in Expenditures				50		2		2
Governor's Change from Base								0
Governor's % Change from Base								0
Full-Time Equivalents	51.06	54.99	51.36	36.00	36.25	35.25	36.25	35.25

## General Support

## Program Financing by Fund

(Dollars in Thousands)

	Actual FY22	Actual FY23	Actual FY24	Estimate FY25	Forecast Base FY26 FY27		Governor's Recommendation FY26 FY27	
<b>3000 - Federal</b>								
Balance Forward In	6	6	6					
Receipts	293	143	121	140	141	141	141	141
Balance Forward Out	6	6						
<b>Expenditures</b>	<b>293</b>	<b>143</b>	<b>128</b>	<b>140</b>	<b>141</b>	<b>141</b>	<b>141</b>	<b>141</b>
Biennial Change in Expenditures				(168)		14		14
Biennial % Change in Expenditures				(39)		5		5
Governor's Change from Base								0
Governor's % Change from Base								0
Full-Time Equivalents	1.51	1.55	1.15	1.25	1.25	1.15	1.25	1.15

**Department of Labor and Industry****Program Narrative****Program: Labor Standards**<https://www.dli.mn.gov/laborlaw>**AT A GLANCE**

In calendar years 2022 and 2023, Labor Standards:

- Recovered approximately \$1.35 million for workers through the wage claim process.
- Recovered approximately \$1.89 million for workers through the investigative process.
- Recovered \$376,500 in child labor and other penalties.
- Directly engaged with 13,000 stakeholders at events, live trainings, presentations, and webinars (2023).
- Distributed 26,000 brochures on workplace rights for new parents and pregnant people (2023).
- Sent 215,000 letters and emails to Minnesota employers about earned sick and safe time (May 2024).
- Reached over 42,000 subscribers with monthly Wage and Hour Bulletins with law-related updates (2023).

**PURPOSE AND CONTEXT**

The Labor Standards Division improves Minnesota's workplaces by ensuring workers are paid correctly and workplace rights and responsibilities are understood and enforced. The Division conducts worker and employer education and engagement activities, answers stakeholder questions, handles wage claims, and pursues investigations to ensure compliance with Minnesota's labor and employment laws, including, but not limited to, minimum wage, overtime, earned sick and safe time, prevailing wage, pregnancy and parental leave, lactating employee protections and pregnancy accommodations, child labor, misclassification, certain retaliation provisions, and laws that apply to specific industries such as construction, agriculture, and food processing.

**SERVICES PROVIDED**

Labor Standards:

- Investigates violations of labor and employment laws, including, but not limited to, the Minnesota Fair Labor Standards Act, the Minnesota Payment of Wages Act, the Minnesota Prevailing Wage Act, the Women's Economic Security Act, the Minnesota Child Labor Standards Act, the state's earned sick and safe time law, and misclassification to recover back wages, damages, penalties, and other relief.
- Engages with and educates workers, employers, and other stakeholders on the laws it enforces to help prevent violations from occurring.
- Answers questions from stakeholders regarding the labor and employment laws under its jurisdiction.
- Conducts an "inform and educate" process with employers in which it educates employers regarding their labor and employment law-related responsibilities and provides employers with the opportunity to come into compliance with the law.
- Conciliates and resolves wage theft complaints through its wage claim process to ensure employees are paid correctly for their work and employers are competing fairly in the marketplace.
- Performs on-site investigations to observe and address ongoing violations, interview workers and employers and gather relevant documentation.
- Awards and oversees grants provided to community-based organizations to help increase worker knowledge and understanding of Minnesota's earned sick and safe time law and Women's Economic Security Act.
- Writes reports related to its work as directed by statute.
- Conducts an annual prevailing-wage survey to identify and certify wage rates for workers on publicly funded construction and public works projects.

**RESULTS**

Measure name	Measure type	Previous	Current	Year
Number of phone, email, and walk-in inquiries	Quantity	20,876	27,531	2022, 2023
Number of individual wage claims handled	Quantity	866	966	2022, 2023
Number of “inform and educates” handled	Quantity	248	345	2022, 2023
Number of Wage and Hour Bulletins distributed to subscribers	Quantity	335,258	532,257	2022, 2023

*Source: Labor Standards Division data management systems (LS desktop and OnBase).*

Minnesota Statutes, Chapters 177, 179, 181, 181A, and 326B provide authority for this program’s activities. Minnesota Statutes §§ 177.21-.35 (Minnesota Fair Labor Standards Act), 177.41-.44 (Prevailing Wage Act), 179.86 – .877 (Packinghouse Workers Bill of Rights), 181.01-.217 (Payment of Wages Act), 181.939-.944 (Nursing Mothers and Parenting Leave and Accommodations), 181.9445 – .9448 (Earned Sick and Safe Time law), 181A (Child Labor Standards Act), 326B (Construction Misclassification), and other provisions listed under 177.27, subd. 4.

**Labor Standards****Program Expenditure Overview***(Dollars in Thousands)*

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY22	FY23	FY24	FY25	FY26	FY27	FY26	FY27
<b><u>Expenditures by Fund</u></b>								
1000 - General	4,025	3,435	5,322	8,301	6,521	6,587	6,946	7,165
2390 - Workforce Development	137	165	932	2,327	1,696	1,696	1,696	1,696
3000 - Federal	728	605						
3015 - ARP-State Fiscal Recovery			125					
4925 - Family and Medical Benefit Ins			169	690	366		366	
<b>Total</b>	<b>4,890</b>	<b>4,205</b>	<b>6,547</b>	<b>11,318</b>	<b>8,583</b>	<b>8,283</b>	<b>9,008</b>	<b>8,861</b>
Biennial Change			8,770		(999)		4	
Biennial % Change			96		(6)		0	
Governor's Change from Base							1,003	
Governor's % Change from Base							6	

**Expenditures by Activity**

Labor Standards	4,890	4,205	6,547	11,318	8,583	8,283	9,008	8,861
<b>Total</b>	<b>4,890</b>	<b>4,205</b>	<b>6,547</b>	<b>11,318</b>	<b>8,583</b>	<b>8,283</b>	<b>9,008</b>	<b>8,861</b>

**Expenditures by Category**

Compensation	2,533	2,772	4,044	7,516	6,926	6,307	7,326	6,860
Operating Expenses	919	1,301	2,159	3,334	1,507	1,876	1,532	1,901
Grants, Aids and Subsidies	1,438	132	345	468	150	100	150	100
Other Financial Transaction	0		0					
<b>Total</b>	<b>4,890</b>	<b>4,205</b>	<b>6,547</b>	<b>11,318</b>	<b>8,583</b>	<b>8,283</b>	<b>9,008</b>	<b>8,861</b>

Total Agency Expenditures	4,890	4,205	6,547	11,318	8,583	8,283	9,008	8,861
Internal Billing Expenditures	536	613	978	1,097	692	1,008	692	1,008
<b>Expenditures Less Internal Billing</b>	<b>4,355</b>	<b>3,592</b>	<b>5,569</b>	<b>10,221</b>	<b>7,891</b>	<b>7,275</b>	<b>8,316</b>	<b>7,853</b>

**Full-Time Equivalent**

<b>24.56</b>	<b>26.00</b>	<b>34.91</b>	<b>60.71</b>	<b>57.20</b>	<b>50.74</b>	<b>59.70</b>	<b>53.24</b>
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**Labor Standards****Program Financing by Fund***(Dollars in Thousands)*

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY22	FY23	FY24	FY25	FY26	FY27	FY26	FY27
1000 - General								
Balance Forward In		456		708				
Direct Appropriation	4,479	3,479	6,041	7,593	6,521	6,587	6,946	7,165
Transfers Out		500						
Cancellations		0	11					
Balance Forward Out	454		708					
Expenditures	4,025	3,435	5,322	8,301	6,521	6,587	6,946	7,165
Biennial Change in Expenditures				6,162		(515)		488
Biennial % Change in Expenditures				83		(4)		4
Governor's Change from Base								1,003
Governor's % Change from Base								8
Full-Time Equivalents	21.54	23.81	28.75	47.97	43.62	40.19	46.12	42.69

**2390 - Workforce Development**

Balance Forward In		14		631				
Direct Appropriation	151	151	1,563	1,696	1,696	1,696	1,696	1,696
Balance Forward Out	14		631					
<b>Expenditures</b>	<b>137</b>	<b>165</b>	<b>932</b>	<b>2,327</b>	<b>1,696</b>	<b>1,696</b>	<b>1,696</b>	<b>1,696</b>
Biennial Change in Expenditures				2,957		133		133
Biennial % Change in Expenditures				979		4		4
Governor's Change from Base								0
Governor's % Change from Base								0
Full-Time Equivalents	0.89	1.12	5.61	9.63	11.42	10.55	11.42	10.55

**3000 - Federal**

Receipts	728	605						
<b>Expenditures</b>	<b>728</b>	<b>605</b>						
Biennial Change in Expenditures				(1,333)		0		0
Biennial % Change in Expenditures				(100)				
Governor's Change from Base								0
Governor's % Change from Base								
Full-Time Equivalents	2.13	1.07	0.01					

**3015 - ARP-State Fiscal Recovery**



**Labor Standards****Program Financing by Fund***(Dollars in Thousands)*

	Actual FY22	Actual FY23	Actual FY24	Estimate FY25	Forecast Base FY26 FY27		Governor's Recommendation FY26 FY27	
Direct Appropriation			125					
<b>Expenditures</b>			<b>125</b>					
Biennial Change in Expenditures				125		(125)		(125)
Biennial % Change in Expenditures								
Governor's Change from Base								0
Governor's % Change from Base								

**4925 - Family and Medical Benefit Ins**

Balance Forward In				432				
Direct Appropriation			601	374	366	0	366	0
Transfers Out				116				
Balance Forward Out			432					
<b>Expenditures</b>			<b>169</b>	<b>690</b>	<b>366</b>		<b>366</b>	
Biennial Change in Expenditures				859		(493)		(493)
Biennial % Change in Expenditures						(57)		(57)
Governor's Change from Base								0
Governor's % Change from Base								
Full-Time Equivalents			0.54	3.11	2.16		2.16	

**6000 - Miscellaneous Agency**

Balance Forward In	124	136	142	142	142	142	142	142
Receipts	5	6	0					
Balance Forward Out	129	142	142	142	142	142	142	142

**Minnesota Department of Labor and Industry****Program Narrative****Program: Office of Combative Sports**<https://dli.mn.gov/ocs>**AT A GLANCE**

In fiscal year 2024, the Office of Combative Sports:

- Regulated 14 events.
- Issued 681 licenses.
- Added regulation of kickboxing and Muay Thai.
- Trained 57 individuals to be mixed martial arts referees and judges, and Muay Thai referees and judges.

**PURPOSE AND CONTEXT**

The Office of Combative Sports (OCS) ensures Minnesota's combative sporting events are safe, fair, and conducted in a manner that minimizes injuries and protects the short and long-term health of combatants. Combative sporting events directly regulated by OCS include professional boxing, professional and amateur mixed martial arts, professional and amateur tough person, professional and amateur kickboxing, and professional and amateur Muay Thai. OCS approves regulatory bodies to oversee martial arts and amateur boxing contests and ensures all youth combative sports events are overseen by a widely recognized organization or local government.

**SERVICES PROVIDED**

The Office of Combative Sports licenses combative sports promotions, combatants, officials, and coaches for events that take place within Minnesota. Licenses are required for referees, judges, timekeepers, ringside physicians, promoters, combatants, trainers, and seconds. OCS employs a staff of 21 inspectors who are responsible for ensuring fighters and their coaches are adhering to the rules and statutes that govern their sports outside of the competition area, ensuring the health and safety of fighters at events.

OCS staff members:

- Review licensing applications to ensure the health and fitness of combatants.
- Review proposed matchups to ensure fair competition.
- Ensure promoters meet financial and safety obligations.
- Ensure adult combative sport events not directly regulated by OCS, such as amateur boxing, are overseen by an OCS-approved sanctioning organization.
- Ensure all youth combative sport events, such as youth karate or Jiu Jitsu, are overseen by a widely recognized organization or local government.
- Train and assign inspectors and officials.
- Collect licensing and event fees.
- Attend regulated combative sporting events to ensure event procedures are followed and compliance with all rules and regulations.
- Ensure compliance with all federal laws.
- Process and hear grievances.
- Work with other state, national and international regulatory bodies to ensure uniformity.
- Investigate any illegal activities.

**RESULTS**

<b>Measure name</b>	<b>Measure type</b>	<b>Measure data source</b>	<b>Historical trend</b>	<b>Most recent data</b>
Combatant licenses issued	Quantity	236	276	2023, 2024
Trainer/second licenses issued	Quantity	223	335	2023, 2024
Number of combative sports events	Quantity	16	14	2023, 2024
Officials' licenses issued <i>(may be more than one license per individual)</i>	Quantity	55	61	2023, 2024
Number of regulatory bodies approved to oversee martial arts and amateur boxing contests	Quantity	NA	8	NA, 2024

***Source: Office of Combative Sports data management system (iMS)***

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Minnesota Statutes, chapter 341, provides authority for this program's activities.

## Office of Combative Sports

## Program Expenditure Overview

(Dollars in Thousands)

	Actual FY22	Actual FY23	Actual FY24	Estimate FY25	Forecast Base FY26 FY27		Governor's Recommendation FY26 FY27	
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**Expenditures by Fund**

1000 - General			243	254	254	254	254	254
2000 - Restrict Misc Special Revenue	75	108	36	65	34	51	34	51
<b>Total</b>	<b>75</b>	<b>108</b>	<b>279</b>	<b>319</b>	<b>288</b>	<b>305</b>	<b>288</b>	<b>305</b>
Biennial Change				414		(5)		(5)
Biennial % Change				225		(1)		(1)
Governor's Change from Base								0
Governor's % Change from Base								0

**Expenditures by Activity**

Office of Combative Sports	75	108	279	319	288	305	288	305
<b>Total</b>	<b>75</b>	<b>108</b>	<b>279</b>	<b>319</b>	<b>288</b>	<b>305</b>	<b>288</b>	<b>305</b>

**Expenditures by Category**

Compensation	43	68	187	207	211	215	211	215
Operating Expenses	32	40	91	82	77	90	77	90
Other Financial Transaction	0		1	30				
<b>Total</b>	<b>75</b>	<b>108</b>	<b>279</b>	<b>319</b>	<b>288</b>	<b>305</b>	<b>288</b>	<b>305</b>

Total Agency Expenditures	75	108	279	319	288	305	288	305
Internal Billing Expenditures	9	15	45	29	21	34	21	34
<b>Expenditures Less Internal Billing</b>	<b>66</b>	<b>93</b>	<b>234</b>	<b>290</b>	<b>267</b>	<b>271</b>	<b>267</b>	<b>271</b>

**Full-Time Equivalents**

<b>0.68</b>	<b>1.04</b>	<b>1.98</b>	<b>2.10</b>	<b>2.10</b>	<b>2.10</b>	<b>2.10</b>	<b>2.10</b>
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## Office of Combative Sports

## Program Financing by Fund

(Dollars in Thousands)

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY22	FY23	FY24	FY25	FY26	FY27	FY26	FY27
1000 - General								
Direct Appropriation			243	254	254	254	254	254
Expenditures			243	254	254	254	254	254
Biennial Change in Expenditures				497		11		11
Biennial % Change in Expenditures						2		2
Governor's Change from Base								0
Governor's % Change from Base								0
Full-Time Equivalents			1.42	1.50	1.50	1.50	1.50	1.50

**2000 - Restrict Misc Special Revenue**

Balance Forward In	68	77	63	84	99	145	99	145
Receipts	85	92	57	80	80	80	80	80
Balance Forward Out	77	61	84	99	145	174	145	174
<b>Expenditures</b>	<b>75</b>	<b>108</b>	<b>36</b>	<b>65</b>	<b>34</b>	<b>51</b>	<b>34</b>	<b>51</b>
Biennial Change in Expenditures				(83)		(16)		(16)
Biennial % Change in Expenditures				(45)		(16)		(16)
Governor's Change from Base								0
Governor's % Change from Base								0
Full-Time Equivalents	0.68	1.04	0.56	0.60	0.60	0.60	0.60	0.60

**Minnesota Department of Labor and Industry****Program Narrative****Program: Workplace Safety**

<http://dli.mn.gov/business/safety-and-health-work>

**AT A GLANCE**

In federal fiscal year 2023, the MNOSHA work units:

- Conducted more than 1,200 compliance inspections.
- Assisted employers through 1,016 consultation visits and 300 consultation interventions.
- Responded to 1,769 employee complaints.
- Investigated 24 workplace fatalities.
- Provided safety grants for 124 employer safety improvement projects.
- Presented safety and health outreach to more than 21,000 compliance participants.
- Worked with 84 partnership employers (MNSTAR Program/MNSHARP) and 7 alliances with organizations committed to workplace safety and health.
- Oversaw the safety and health of 2.8 million workers at 201,000 Minnesota worksites.

**PURPOSE AND CONTEXT**

The goal of the Minnesota Occupational Safety and Health Administration (MNOSHA) is that every employee returns home safe and healthy at the end of each working day. MNOSHA believes workplaces must share a commitment to workplace safety by employers, employees, and their authorized representatives. MNOSHA focuses on regulation through its Compliance unit and on assistance through its Workplace Safety Consultation unit, helping industries with the highest injury and illness rates. MNOSHA is a state plan, one of 29 states and territories authorized by Congress to administer an occupational safety and health program performing at or above the standards of the federal OSHA program.

**SERVICES PROVIDED**

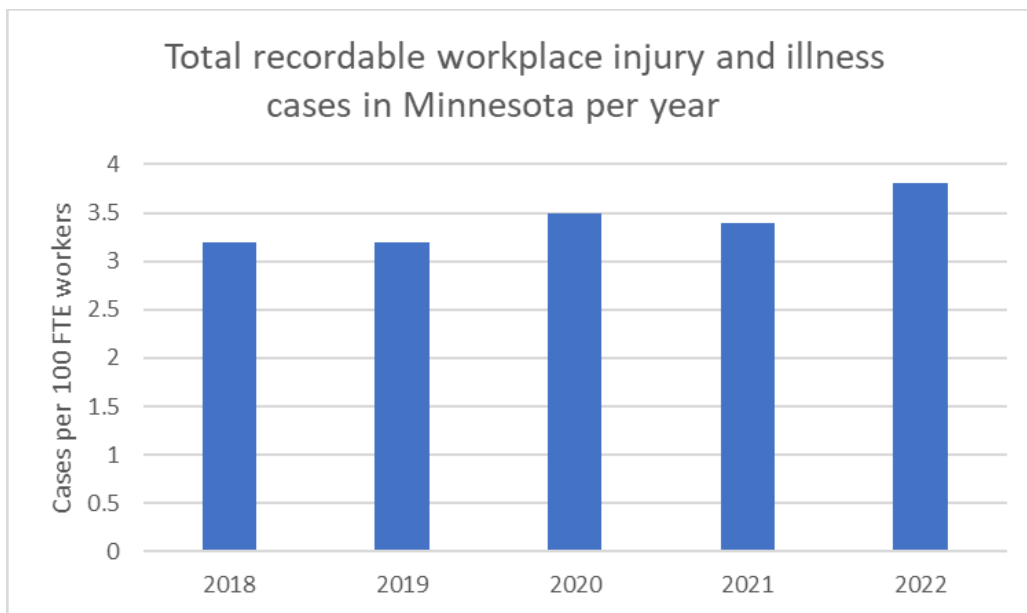
MNOSHA keeps Minnesota employees and workplaces safe by:

- Conducting planned compliance inspections focused on high-hazard industries.
- Investigating workplace fatalities, serious injuries, and catastrophic events.
- Responding to complaints by employees about unsafe conditions at their workplace.
- Reviewing employee's protected rights after alleged improper termination or other adverse action.
- Providing training and outreach to employee, employer and citizen groups about safety and health topics.
- Making consultation visits to employers that request assistance to make their workplaces safer.
- Working cooperatively with employers through voluntary prevention programs and partnerships.
- Issuing safety grants to help employers boost their safety and health programs.

**RESULTS****Fatal occupational injuries per 100,000 full-time-equivalent workers, calendar-year 2022**

State	2018	2019	2020	2021	2022
Minnesota	2.7	2.6	2.4	2.8	2.8
Wisconsin	3.8	3.8	4.1	3.4	4.3
Iowa	4.9	4.7	4.0	3.3	3.6
South Dakota	6.9	4.7	7.8	4.7	5.6
North Dakota	9.6	9.7	7.4	9.0	9.8

*Source: Census of Fatal Occupational Injuries (CFOI), Bureau of Labor Statistics. CFOI accounts for all fatalities resulting from a work injury. Minnesota has a lower percentage of employees dying from work-related injuries than neighboring states, demonstrating the success of the MNOSHA program.*



*Source: Survey of Occupational Injuries and Illnesses (SOII), Bureau of Labor and Statistics (BLS). SOII surveys a sample of employers to gather OSHA log data and estimates the number of work-related injuries and illnesses and the rate at which they occur.*

Measure name	Measure type	Previous	Current	Year
Percentage of timely responses to imminent danger and fatality inspections within one workday	Quality	Imminent danger complaint inspections, 97.22% (136 of 140); national OSHA data, 95.04% Response to fatalities: 100% (24 of 24); national OSHA data, 97.29%	Imminent danger complaint inspections, 100% (46 of 46) Response to fatalities: 100% (19 of 19)	FFY2023, FFY2024 (Q1-Q3)
Lapse time for safety and health inspections within the acceptable review level (ARL) of national OSHA data	Result measured in workdays	MNOSHA: Safety, 41.01 (National FRL, 44.1 to 66.28); Health, 64.97 (National FRL, 55.78 to 83.66)	MNOSHA (Q1-3): Safety, 38.06 (National FRL, 43.65 to 65.45); health, 51.72 (National FRL, 59.31 to 79.30)	FFY2023, FFY2024 (Q1-Q3)
Percent in compliance for safety and health inspections	Results	MNOSHA: Safety, 34.40% (National FRL, 25.38% to 38.08%); Health, 42.75% (National FRL, 35.06% to 52.58%)	MNOSHA: Safety, 35.23% (National FRL, 26.64% to 39.96%); Health, 35.51% (National FRL, 32.8% to 49.2%)	FFY2023, FFY2024 (Q1-Q3)
Average number of workdays to initiate complaint inspections	Results	4.06 (FRL, 9)	3.55 (FRL, 9)	FFY2023, FFY2024 (Q1-Q3)
Percent of initial consultation visits completed in high-hazard industries – requirement of not less than 90%	Results	98.65%	99.10%	FFY2023, FFY2024 (Q1-Q3)
Percent of initial visits to small businesses (fewer than 250 employees) – requirement of not less than 90%	Results	96.99%	96.20%	FFY2023, FFY2024 (Q1-Q3)

**Source: MNOSHA State Activity Mandated Measures Report and Mandated Activity Report for Consultation.**

Minnesota Statutes 182 provides the legal authority for this program's activities. As a state plan, Minnesota OSHA Compliance enforces: 29 CFR 1904, 1910, 1915, 1917, 1918, 1926 and 1928; and Minnesota Rules 5205 through 5208, 5210 and 5215. MNOSHA Workplace Safety Consultation regulations are: 29 CFR 1908; 29 CFR 1910.266; Minn. Stat. 79.253, 90.145 and 176.130; and Minn. Rules 5203.



**Workplace Safety****Program Expenditure Overview***(Dollars in Thousands)*

	Actual FY22	Actual FY23	Actual FY24	Estimate FY25	Forecast Base		Governor's Recommendation	
					FY26	FY27	FY26	FY27

**Expenditures by Fund**

1000 - General			177	1,823				
2830 - Workers Compensation	8,681	8,413	8,614	11,498	11,457	11,228	11,457	11,228
3000 - Federal	5,417	5,773	6,896	5,666	5,666	5,666	5,666	5,666
<b>Total</b>	<b>14,098</b>	<b>14,186</b>	<b>15,687</b>	<b>18,987</b>	<b>17,123</b>	<b>16,894</b>	<b>17,123</b>	<b>16,894</b>
Biennial Change				6,390		(657)		(657)
Biennial % Change				23		(2)		(2)
Governor's Change from Base								0
Governor's % Change from Base								0

**Expenditures by Activity**

Workplace Safety	14,098	14,186	15,687	18,987	17,123	16,894	17,123	16,894
<b>Total</b>	<b>14,098</b>	<b>14,186</b>	<b>15,687</b>	<b>18,987</b>	<b>17,123</b>	<b>16,894</b>	<b>17,123</b>	<b>16,894</b>

**Expenditures by Category**

Compensation	8,805	9,088	10,003	11,217	11,969	12,254	11,969	12,254
Operating Expenses	3,440	3,391	4,009	4,602	3,809	3,315	3,809	3,315
Grants, Aids and Subsidies	1,792	1,491	1,487	3,148	1,325	1,325	1,325	1,325
Capital Outlay-Real Property	0	1						
Other Financial Transaction	61	215	187	20	20		20	
<b>Total</b>	<b>14,098</b>	<b>14,186</b>	<b>15,687</b>	<b>18,987</b>	<b>17,123</b>	<b>16,894</b>	<b>17,123</b>	<b>16,894</b>

Total Agency Expenditures	14,098	14,186	15,687	18,987	17,123	16,894	17,123	16,894
Internal Billing Expenditures	1,166	1,237	1,388	741	655	1,029	655	1,029
<b>Expenditures Less Internal Billing</b>	<b>12,933</b>	<b>12,949</b>	<b>14,298</b>	<b>18,246</b>	<b>16,468</b>	<b>15,865</b>	<b>16,468</b>	<b>15,865</b>

<b><u>Full-Time Equivalents</u></b>	<b>84.68</b>	<b>88.03</b>	<b>88.95</b>	<b>97.00</b>	<b>104.15</b>	<b>104.15</b>	<b>104.15</b>	<b>104.15</b>
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**Workplace Safety****Program Financing by Fund***(Dollars in Thousands)*

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY22	FY23	FY24	FY25	FY26	FY27	FY26	FY27
1000 - General								
Balance Forward In				1,823				
Direct Appropriation			2,000					
Balance Forward Out			1,823					
Expenditures			177	1,823				
Biennial Change in Expenditures				2,000		(2,000)		(2,000)
Biennial % Change in Expenditures						(100)		(100)
Governor's Change from Base								0
Governor's % Change from Base								

**2830 - Workers Compensation**

Balance Forward In	6,115	5,459	7,572	8,271	6,772	5,537	6,772	5,537
Direct Appropriation	5,070	5,070	6,644	7,838	8,061	7,627	8,061	7,627
Receipts	2,310	4,770	2,669	2,161	2,161	2,161	2,161	2,161
Balance Forward Out	4,813	6,886	8,271	6,772	5,537	4,097	5,537	4,097
<b>Expenditures</b>	<b>8,681</b>	<b>8,413</b>	<b>8,614</b>	<b>11,498</b>	<b>11,457</b>	<b>11,228</b>	<b>11,457</b>	<b>11,228</b>
Biennial Change in Expenditures				3,018		2,573		2,573
Biennial % Change in Expenditures				18		13		13
Governor's Change from Base								0
Governor's % Change from Base								0
Full-Time Equivalents	49.18	50.42	48.52	51.90	58.85	61.05	58.85	61.05

**3000 - Federal**

Balance Forward In	24	24	24					
Receipts	5,415	5,773	6,896	5,666	5,666	5,666	5,666	5,666
Balance Forward Out	22	24	24					
<b>Expenditures</b>	<b>5,417</b>	<b>5,773</b>	<b>6,896</b>	<b>5,666</b>	<b>5,666</b>	<b>5,666</b>	<b>5,666</b>	<b>5,666</b>
Biennial Change in Expenditures				1,372		(1,230)		(1,230)
Biennial % Change in Expenditures				12		(10)		(10)
Governor's Change from Base								0
Governor's % Change from Base								0
Full-Time Equivalents	35.50	37.61	40.43	45.10	45.30	43.10	45.30	43.10

**Minnesota Department of Labor and Industry****Program Narrative****Program: Employment-based Training Initiatives**

<https://www.dli.mn.gov/pipeline> and <https://www.dli.mn.gov/yst>

**AT A GLANCE**

In fiscal year 2024:

**Minnesota Dual-Training Pipeline:**

- Planned and hosted initial industry stakeholder meetings for 3 new industries including childcare, transportation, and the legal cannabis industry.
- Planned and hosted 14 industry forums and 1 all-industry forum.
- Supported 236 unique employers with tools, technical resources, consulting, and pairing for employer mentorships.
- Developed and approved 12 new occupational competency models.

**Youth Skills Training (YST):**

- Granted \$1.5 million to 17 YST partnerships throughout the state.
- Provided 24,538 students with opportunities for industry exposure.
- Supported 13,722 students in the completion of an industry-related class for high school credit.
- Supported 1,295 student learners in obtaining industry-recognized credentials.
- Supported 368 student learners in paid work experiences in high-growth, in-demand industries.
- Approved 35 additional employers to host YST student learners with paid work experiences.

**PURPOSE AND CONTEXT**

Employment-based training programs—Minnesota Dual-Training Pipeline and Youth Skills Training—support employers striving for innovative ways to address current and future workforce needs in key industries, such as advanced manufacturing, agriculture, automotive, childcare, health care services, information technology, legal cannabis, and transportation. Programs also works with K-12 educators, higher education, business and trade associations, nonprofits, and community-based organizations to further efforts for workforce development and training. In addition, school districts, students, and families with an interest in the industries identified work with YST to create programs to develop a workforce with the necessary skills for students and apprentices.

**SERVICES PROVIDED**

Minnesota Dual-Training Pipeline (“Pipeline” stands for “Private Investment, Public Education, Labor and Industry Experience”) supports the growth and development of employment-based dual-training programs in advanced manufacturing, agriculture, childcare, health care services, information technology, legal cannabis, and transportation. Dual-training programs combine related instruction, resulting in the completion of a degree, certificate, or industry-recognized credential, with competency-based on-the-job training to benefit Minnesota workers and their employers. Objectives of Minnesota Dual-Training Pipeline include:

- Engaging employers, higher education, labor, representatives of the disabled community, government, nonprofits, and community-based organizations to support employment-based dual-training.
- Enhancing Minnesota’s skilled workforce by bringing together leaders from industry to identify, define, create, and validate occupational competencies for in-demand occupations.
- Helping employers meet their workforce needs.
- Expanding earn-and-learn dual-training and registered apprenticeship across Minnesota.

Youth Skills Training encourages, promotes, and supports the development of local partnerships among schools, employers, and community organizations to benefit students and businesses statewide. These local partnerships provide students with:

- career exploration;
- industry exposure opportunities;
- related classroom instruction;
- safety training;
- industry-recognized credentials; and
- paid work experience in high-growth and in-demand industries.

Training occurs in the industries of advanced manufacturing, agriculture, automotive, health care and information technology. Successful YST programs demonstrate the ability to achieve the above objectives through various means, including outreach, education, training and supportive services for students and employers.

## RESULTS

Measure name	Measure type	Previous	Current	Fiscal Year
Number of occupations with competency-based models	Quantity	82	94	2023, 2024
Number of unique employers assisted through Pipeline programming and activities to support their efforts with dual training	Quantity	204	236	2023, 2024
Employers with grant-funded dual-training programs	Quantity	59	84	2023, 2024
Number of dual trainees awarded funding through the dual-training grant and who were anticipated to receive dual training at the time of award	Quantity	644	728	2023, 2024
Average wage increase following participation in a dual-training program for reported participants	Result	\$3.66	NA	2023, 2024
YST: Number of students participated in industry exposure experiences (tours, speakers, job shadow, career fairs, etc.)	Quantity	37,732	24,538*	2023, 2024
YST: Number of students who have completed an industry-related class for high school credit	Result	13,998	13,722*	2023, 2024
YST: Number of employers approved to provide paid work experience to student learners	Quantity	42	35	2023, 2024
YST: Number of partnerships awarded grant funding	Quantity	17	17	2023, 2024
YST: Percent of students in a paid work experience who graduated when eligible (FY 2022 and 2023)	Result	95% (FY 2022)	96% (FY 2023)	2022, 2023
YST: Percent of students in a paid work experience who earned an industry-recognized credential	Result	100%	100%	2023, 2024

**Sources: Minnesota Dual-Training Pipeline Annual Program Re-cap, Dual Training Grant Program Annual Report, Youth Skills Training Legislative Report**

**\*Quarterly reports for final quarter still in progress; number will increase.**

Minnesota Statutes, chapters 175.45 and 175.46, provide authority for this program's activities.

**Employment-based Initiatives****Program Expenditure Overview***(Dollars in Thousands)*

	Actual FY22	Actual FY23	Actual FY24	Estimate FY25	Forecast Base		Governor's Recommendation	
					FY26	FY27	FY26	FY27
<b><u>Expenditures by Fund</u></b>								
1000 - General	4,039	5,475	159	169	165	165	165	165
2390 - Workforce Development	1,589	1,611	2,242	2,488	2,371	2,371	2,371	2,371
3015 - ARP-State Fiscal Recovery	100							
<b>Total</b>	<b>5,728</b>	<b>7,086</b>	<b>2,402</b>	<b>2,657</b>	<b>2,536</b>	<b>2,536</b>	<b>2,536</b>	<b>2,536</b>
Biennial Change				(7,756)		13		13
Biennial % Change				(61)		0		0
Governor's Change from Base								0
Governor's % Change from Base								0

**Expenditures by Activity**

Employment-based Initiatives	5,728	7,086	2,402	2,657	2,536	2,536	2,536	2,536
<b>Total</b>	<b>5,728</b>	<b>7,086</b>	<b>2,402</b>	<b>2,657</b>	<b>2,536</b>	<b>2,536</b>	<b>2,536</b>	<b>2,536</b>

**Expenditures by Category**

Compensation	466	870	678	923	791	816	791	816
Operating Expenses	4,262	5,217	224	234	245	220	245	220
Grants, Aids and Subsidies	1,000	1,000	1,500	1,500	1,500	1,500	1,500	1,500
<b>Total</b>	<b>5,728</b>	<b>7,086</b>	<b>2,402</b>	<b>2,657</b>	<b>2,536</b>	<b>2,536</b>	<b>2,536</b>	<b>2,536</b>

Total Agency Expenditures	5,728	7,086	2,402	2,657	2,536	2,536	2,536	2,536
Internal Billing Expenditures	99	192	164	131	79	130	79	130
<b>Expenditures Less Internal Billing</b>	<b>5,630</b>	<b>6,894</b>	<b>2,238</b>	<b>2,526</b>	<b>2,457</b>	<b>2,406</b>	<b>2,457</b>	<b>2,406</b>

**Full-Time Equivalents**

	4.18	10.66	6.06	7.50	6.50	6.50	6.50	6.50
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**Employment-based Initiatives****Program Financing by Fund***(Dollars in Thousands)*

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY22	FY23	FY24	FY25	FY26	FY27	FY26	FY27
<b>1000 - General</b>								
Balance Forward In		7,611		4				
Direct Appropriation	11,650		31	33	33	33	33	33
Transfers In			132	132	132	132	132	132
Cancellations		2,136						
Balance Forward Out	7,611		4					
<b>Expenditures</b>	<b>4,039</b>	<b>5,475</b>	<b>159</b>	<b>169</b>	<b>165</b>	<b>165</b>	<b>165</b>	<b>165</b>
Biennial Change in Expenditures				(9,186)		2		2
Biennial % Change in Expenditures				(97)		0		0
Governor's Change from Base								0
Governor's % Change from Base								0
Full-Time Equivalents	0.11	5.92	1.12	1.17	1.15	1.07	1.15	1.07

**2390 - Workforce Development**

Balance Forward In		11		117				
Direct Appropriation	1,600	1,600	2,359	2,371	2,371	2,371	2,371	2,371
Balance Forward Out	11		117					
<b>Expenditures</b>	<b>1,589</b>	<b>1,611</b>	<b>2,242</b>	<b>2,488</b>	<b>2,371</b>	<b>2,371</b>	<b>2,371</b>	<b>2,371</b>
Biennial Change in Expenditures				1,530		12		12
Biennial % Change in Expenditures				48		0		0
Governor's Change from Base								0
Governor's % Change from Base								0
Full-Time Equivalents	4.07	4.74	4.94	6.33	5.35	5.43	5.35	5.43

**3015 - ARP-State Fiscal Recovery**

Direct Appropriation	100							
<b>Expenditures</b>	<b>100</b>							
Biennial Change in Expenditures				(100)		0		0
Biennial % Change in Expenditures								
Governor's Change from Base								0
Governor's % Change from Base								

**Minnesota Department of Labor and Industry****Program Narrative****Program: Apprenticeship**<https://www.apprenticeship.mn.gov/>**AT A GLANCE**

In calendar year 2023, Apprenticeship Minnesota:

- Supported 11,546 active apprentices.
- Ensured compliance and provided technical assistance to 233 registered apprenticeship programs.
- Registered 4,229 new apprentices including 923 women, 2,655 people of color, 115 individuals with disabilities and 692 veterans.
- Attended 55 outreach events reaching 10,300 participants.

**PURPOSE AND CONTEXT**

Apprenticeship Minnesota supports Minnesota's economy by promoting, developing, and sustaining registered apprenticeship programs. These employment-based training programs recruit, train and retain a highly skilled and diverse workforce through on-the-job learning and related classroom training, and ensure apprentices are working in healthy and safe work environments under the supervision of journeymen and mentors.

Four goals guide the work of the division:

- Increase the number of registered apprenticeship programs in new industries, including information technology, health care, manufacturing, and education.
- Expand existing registered apprenticeship programs in the trades through the addition of more apprentices, new occupations, and new employers.
- Increase diversity, equity, inclusion, and accessibility within registered apprenticeship.
- Improve the state's overall alignment to the national apprenticeship system and the state's education and workforce systems.

**SERVICES PROVIDED**

Apprenticeship Minnesota services include program development for prospective apprenticeship program sponsors; technical assistance and compliance monitoring for existing apprenticeship programs; outreach and engagement to community-based organizations, workforce development boards and school districts; and grant management for multiple apprenticeship grants. Specific services provided by the division include:

- Engaging with and assisting employers, employer associations and labor unions in developing new registered apprenticeship programs for in-demand jobs across the state.
- Conducting ongoing technical assistance and compliance activities to ensure programs deliver the training, instruction and other requirements outlined in their program registered standards.
- Awarding grants to support registered apprenticeship including Labor Education Advancement Program (LEAP) grants to community-based organizations and apprenticeship training committees to provide recruitment and retention services for women, people of color, individuals with disabilities and veterans.
- Training and presenting to community-based organizations, local workforce boards and school districts to foster greater entrance and successful completion by underrepresented groups, including women, people of color, individuals with disabilities and veterans, in registered apprenticeship programs.
- Connecting jobseekers and apprentices with apprenticeship resources.

**RESULTS**

Measure name	Measure type	Previous value	Date	Current value	Date
Number of active apprentices	Quantity	11,120	2022	11,546	2023
Percentage of active apprentices by women/people of color/ veterans	Result	8%/22%/7%	2022	8%/23%/6%	2023
Number of apprenticeship completions	Result	1,741	2022	1,769	2023
Number of registered apprenticeship programs	Quantity	257	2022	233	2023
Percentage of apprentices passing Class A Journeyworker Electrician licensure exam on the first try versus percentage non-apprentices.	Quality	NA	NA	97.2%/75.2%	2023

**Source: Apprenticeship MN data management system (RAPIDS)**

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Minnesota Statutes, Chapter 178, Apprentice Training, provides authority for this program's activities in accordance with 29 Code of Federal Regulations part 29 and part 30.



**Apprenticeship****Program Expenditure Overview***(Dollars in Thousands)*

	Actual FY22	Actual FY23	Actual FY24	Estimate FY25	Forecast Base		Governor's Recommendation	
					FY26	FY27	FY26	FY27
<b><u>Expenditures by Fund</u></b>								
2390 - Workforce Development	1,605	1,687	2,972	5,765	2,759	2,759	7,759	4,759
3000 - Federal			701	2,029	1,862	1,914	1,862	1,914
<b>Total</b>	<b>1,605</b>	<b>1,687</b>	<b>3,673</b>	<b>7,794</b>	<b>4,621</b>	<b>4,673</b>	<b>9,621</b>	<b>6,673</b>
Biennial Change				8,175		(2,173)		4,827
Biennial % Change				248		(19)		42
Governor's Change from Base								7,000
Governor's % Change from Base								75

**Expenditures by Activity**

Apprenticeship	1,605	1,687	3,673	7,794	4,621	4,673	9,621	6,673
<b>Total</b>	<b>1,605</b>	<b>1,687</b>	<b>3,673</b>	<b>7,794</b>	<b>4,621</b>	<b>4,673</b>	<b>9,621</b>	<b>6,673</b>

**Expenditures by Category**

Compensation	911	1,049	1,267	1,849	1,863	1,807	6,863	3,807
Operating Expenses	269	313	844	1,847	1,633	1,741	1,633	1,741
Grants, Aids and Subsidies	425	325	1,557	4,098	1,125	1,125	1,125	1,125
Other Financial Transaction			5					
<b>Total</b>	<b>1,605</b>	<b>1,687</b>	<b>3,673</b>	<b>7,794</b>	<b>4,621</b>	<b>4,673</b>	<b>9,621</b>	<b>6,673</b>

Total Agency Expenditures	1,605	1,687	3,673	7,794	4,621	4,673	9,621	6,673
Internal Billing Expenditures	193	232	306	268	187	289	187	289
<b>Expenditures Less Internal Billing</b>	<b>1,412</b>	<b>1,455</b>	<b>3,367</b>	<b>7,526</b>	<b>4,434</b>	<b>4,384</b>	<b>9,434</b>	<b>6,384</b>

**Full-Time Equivalents**

	8.55	9.61	11.15	16.00	15.80	15.17	15.80	15.17
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**Apprenticeship****Program Financing by Fund***(Dollars in Thousands)*

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY22	FY23	FY24	FY25	FY26	FY27	FY26	FY27
<b>2390 - Workforce Development</b>								
Balance Forward In	1	92	1	3,006				
Direct Appropriation	1,696	1,596	5,989	2,759	2,759	2,759	7,759	4,759
Cancellations			13					
Balance Forward Out	92	1	3,006					
<b>Expenditures</b>	<b>1,605</b>	<b>1,687</b>	<b>2,972</b>	<b>5,765</b>	<b>2,759</b>	<b>2,759</b>	<b>7,759</b>	<b>4,759</b>
Biennial Change in Expenditures			5,445		(3,219)		3,781	
Biennial % Change in Expenditures			165		(37)		43	
Governor's Change from Base							7,000	
Governor's % Change from Base							127	
Full-Time Equivalents	8.55	9.61	9.04	9.60	11.80	11.17	11.80	11.17

**3000 - Federal**

Receipts			701	2,029	1,862	1,914	1,862	1,914
<b>Expenditures</b>			<b>701</b>	<b>2,029</b>	<b>1,862</b>	<b>1,914</b>	<b>1,862</b>	<b>1,914</b>
Biennial Change in Expenditures				2,730		1,046		1,046
Biennial % Change in Expenditures						38		38
Governor's Change from Base								0
Governor's % Change from Base								0
Full-Time Equivalents			2.11	6.40	4.00	4.00	4.00	4.00

**Minnesota Department of Labor and Industry****Program Narrative****Program: Nursing Home Workforce Standards Board (NHWSB)**

<https://dli.mn.gov/about-department/boards-and-councils/nursing-home-workforce-standards-board>

**AT A GLANCE**

In its first year of operation, the Minnesota Nursing Home Workforce Standards Board (NHWSB):

- Conducted 15 full board meetings and 32 work group meetings.
- Investigated working conditions in the nursing home industry through Board discussion, data review, five public hearings and three online questionnaires.
- Proposed rules establishing initial wage standards.
- Began drafting rules for certifying worker organizations to train workers.
- Discussed processes for waivers and variances and other implementation plans.

**PURPOSE AND CONTEXT**

Created during the 2023 legislative session, NHWSB's purpose is to conduct investigations into working conditions in the nursing home industry and adopt rules establishing minimum employment standards reasonably necessary and appropriate to protect the health and welfare of nursing home workers.

Comprised of nine members including three employer representatives, three employee representatives, and the commissioners of labor and industry, health, and human services or their designees, the NHWSB conducts research and public engagement to inform rulemaking on minimum wages for nursing home workers. As required by statute, more than half of nursing home workers should see a wage increase and experience the benefits that come with a higher income once these standards are in effect.

It is estimated approximately 26,000 workers fall under the NHWSB Act, including certified nursing assistants, trained medication aides, licensed practical nurses, laundry/housekeeping staff, dietary aides, cooks, activity aides, plant/maintenance staff, medical records staff, social workers, mental health workers, and other direct care staff who perform more than 44 million hours of work annually for nursing facilities and their residents.

**SERVICES PROVIDED**

The NHWSB:

- Conducts research into nursing home working conditions.
- Proposes rules to set minimum wage standards in nursing homes using the research it has conducted to meet statutory obligations.
- Reviews data to determine current wages for nursing home workers and cost of living in Minnesota.
- Engages with workers, employers, advocates, and the public including through statewide public forums and online.
- Develops and implements a process for waivers and variances from the standards.
- Certifies Works with Department of Human Services to report to the Legislature the cost to the state of Minnesota of minimum standards.

**RESULTS**

Measure name	Measure type	Previous	Current	Fiscal Year
Number of individuals engages through public forums and online questionnaires	Quantity	NA	429	NA, 2024
Number of Publicly held Data Workgroup meetings	Quality	NA	8	NA, 2024
Estimated number of workers seeing a wage increase if proposed rules are adopted	Result	NA	13,705 or 52.7% of all nursing home workers	NA, 2026
Estimated number of workers seeing an increase in wages if working on a holiday if proposed rules are adopted	Result	NA	26,006 or 100% of all nursing home workers	NA, 2026

*Sources: Public forums, public meetings, industry data, Minnesota Department of Human Services nursing home employment and wage data, collective bargaining agreements.*

Minnesota Statutes 181.211-217 (<https://www.revisor.mn.gov/statutes/cite/181.211>) provides the legal authority for NHWSB.

**Nursing Home Workforce Standards Board****Program Expenditure Overview***(Dollars in Thousands)*

	Actual FY22	Actual FY23	Actual FY24	Estimate FY25	Forecast Base		Governor's Recommendation	
					FY26	FY27	FY26	FY27

**Expenditures by Fund**

1000 - General			235	783	404	357	404	357
<b>Total</b>			<b>235</b>	<b>783</b>	<b>404</b>	<b>357</b>	<b>404</b>	<b>357</b>
Biennial Change				1,018		(257)		(257)
Biennial % Change						(25)		(25)
Governor's Change from Base								0
Governor's % Change from Base								0

**Expenditures by Activity**

Nursing Home Workforce Standards Board			235	783	404	357	404	357
<b>Total</b>			<b>235</b>	<b>783</b>	<b>404</b>	<b>357</b>	<b>404</b>	<b>357</b>

**Expenditures by Category**

Compensation			170	290	298	273	298	273
Operating Expenses			65	493	106	84	106	84
<b>Total</b>			<b>235</b>	<b>783</b>	<b>404</b>	<b>357</b>	<b>404</b>	<b>357</b>

**Full-Time Equivalents**

			1.30	2.25	2.25	2.00	2.25	2.00
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## Nursing Home Workforce Standards Board

## Program Financing by Fund

(Dollars in Thousands)

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY22	FY23	FY24	FY25	FY26	FY27	FY26	FY27
1000 - General								
Balance Forward In				426				
Direct Appropriation			661	357	404	357	404	357
Balance Forward Out			426					
Expenditures			235	783	404	357	404	357
Biennial Change in Expenditures				1,018		(257)		(257)
Biennial % Change in Expenditures						(25)		(25)
Governor's Change from Base								0
Governor's % Change from Base								0
Full-Time Equivalents			1.30	2.25	2.25	2.00	2.25	2.00

## Minnesota Department of Labor and Industry

## Federal Funds Summary

(Dollars in Thousands)

Federal Agency and ALN	Federal Grant Name Brief Purpose	FY 2024 Actual	FY 2025 Budget	FY 2026 Base	FY 2027 Base	Required State Match or MOE?	FTEs
Department of Labor 17.503	Administration (OSHA) Compliance Grant Partially funds agency activities that improve workplace safety and health through outreach, consultation, and enforcement.	\$ 5,814	\$ 4,629	\$ 4,629	\$ 4,629	Match 100%	38.0
Department of Labor 17.504	Administration Consultation agreement grant - Partially funds consultation services, on request, to help employers prevent accidents and diseases through several employer-assistance programs	\$ 1,081	\$ 1,037	\$ 1,037	\$ 1,037	Match 11%	7.1
Department of Labor 17.005	Safety and Health Statistics (BLS) - Partially funds agency activities that collect, compile, and analyze statistics for the census of fatal occupational injuries and the survey of occupational injuries and illnesses.	\$ 128	\$ 140	\$ 141	\$ 141	Match 100%	1.3
Department of Labor 17.285	Expansion Formula - State award that builds on the work of previous state apprenticeship grants focused on capacity building, modernization, and expansion activities.	\$ 701	\$ 1,105	\$ -	\$ -	NO	3.2
Department of Labor 17.285	Minnesota State Apprenticeship Expansion Formula - Competitive - Builds on the work of previous State Apprenticeship Expansion grants, including SAEF, Round 1 (SAEF1), State Apprenticeship Expansion, Equity, and Innovation (SAEEI) and other State Apprenticeship Expansion grants, focused on capacity building, modernization, and expansion activities	\$ -	\$ 924	\$ 1,862	\$ 1,914	NO	3.2
	<b>Federal Fund [3000 fund] – Agency Total</b>	<b>\$ 7,724</b>	<b>\$ 7,835</b>	<b>\$ 7,669</b>	<b>\$ 7,721</b>		<b>52.8</b>
Treasury Department 21.027	Transportation Network Company Driver Study - Commission and oversee a study to obtain and analyze data and information related to the working conditions of Transportation Network Company (TNC) drivers in Minnesota and how potential changes may impact access and cost for riders.	\$ 125	\$ -	\$ -	\$ -	NO	-
	<b>ARPA [3015] Fund – Agency Total</b>	<b>\$ 125</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>		<b>-</b>
	<b>Federal Fund – Agency Total</b>	<b>\$ 7,849</b>	<b>\$ 7,835</b>	<b>\$ 7,669</b>	<b>\$ 7,721</b>		<b>52.8</b>

## Minnesota Department of Labor and Industry

## Federal Funds Summary

## Narrative

- US Dept. of Labor (USDOL) provides an annual grant for **MN OSHA Compliance**. The annual amount awarded from Federal Sources is not expected to change and is currently \$4,629,000. MN Dept. of Labor & Industry (MN DLI) is required to match 100% of the grant amount provided. MN OSHA Compliance responsibilities include reducing workplace injuries, illnesses and fatalities, reducing workplace hazards and exposures through inspections and consultative assistance, improving the effectiveness of investigations and consultation assessments by analyzing collected data and educating employers and employees about their rights and responsibilities and the resources available under OSHA laws.
- USDOL provides an annual grant for **MN OSHA Consultation**. The annual amount awarded from Federal Sources is not expected to change and is currently \$1,047,300. Minnesota is required to match 11% of the grant amount provided. MN OSHA Consultation responsibilities include reducing occupational hazards through on-site consultations and technical assistance, promoting a safety and health culture through consultation assistance, outreach, cooperative programs and strong leadership and strengthen and improve MN OSHA's infrastructure.
- USDOL **Bureau of Labor Statistics (BLS)** provides an annual grant to MN DLI. The annual amount awarded from Federal Sources is expected to increase, currently DLI receives \$140,850. Minnesota is required to match 100% of the grant amount provided. MN BLS is responsible for collecting summary information on occupational injuries and illnesses from private-sector establishments.
- USDOL Employment and Training Administration - **Minnesota State Apprenticeship Expansion Formula Grant (MNSAEF)** is a one-time grant that was awarded to the State of Minnesota in the amount of \$1,805,450 in formula funding which expires 06/30/2025 and \$4,700,000 in competitive funding that will expire 06/30/2027. There is no state match required for this grant. MNSAEF funds builds on the work of previous State Apprenticeship Grants, This includes: 1) supporting the development and recruitment of a diverse pipeline of apprentices; 2) supporting the rapid development of new registered apprenticeship programs and the expansion of existing programs; 3) fully integrating apprenticeship into state workforce development education and economic development strategies and programs; and 4) building state capacity to make it easier for industries to start registered apprenticeship programs and for apprentices to access opportunities.
- US Department of Energy - **Inflation Reduction Act (IRA) - Assistance for the Adoption of the Latest and Zero Building Energy Codes** assists eligible entities in further decarbonizing their buildings through the adoption of the latest national model building energy codes and zero energy codes. This is a new grant that MNDLI applied for 09/12/24. We have yet to be awarded any Federal Funds. The projected budget for this award is \$24,934,751 with a project period of 01/01/2026 – 09/30/2034.
- US Department of Energy - **IRA – Assistance for Latest and Zero Building Energy Code Adoption (CODES)** To adopt and implement latest building energy codes, zero energy building codes, or equivalent codes or standards. This is a new grant that MNDLI applied for 10/30/24. We have yet to be awarded any Federal Funds. The projected budget for this award is \$7,974,091 with a project period of 07/01/2025 – 06/30/2034.
- US Treasury Department - **American Rescue Plan (ARP)** provides emergency one-time grants. This funding opportunity was utilized by DLI to conduct a transportation network driver study.



Ex. D

## Minnesota House of Representatives

Legislative News and Views - Rep. Patricia Mueller (R)

[Back to profile](#)

### **RELEASE: 93rd Legislature Concludes with Some Wins Amongst Misplaced Priorities**

**Monday, May 20, 2024**

Post



May 20th, 2024

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**FOR IMMEDIATE RELEASE**

**MEDIA CONTACT:**

Austin Parrish, 651.297.8407

Austin.Parrish@house.mn.gov

News Release

**93rd Legislature Concludes with Some Wins Amongst Misplaced Priorities**

Saint Paul, MN — Multiple provisions supported by Representative Patricia Mueller (R – Austin) pass through the legislative process before chaos erupts in the final moments of the 93rd legislature. These include the language from [H.F. 4215](#) in the public safety and judiciary bill that provides funding for therapy dogs for our first responders, funding for a water and wastewater operator training program at Riverland from [H.F. 3475](#), as well as \$30 million in critical emergency medical services (EMS) funding.

“We’ve heard from countless Minnesotans how investing in our workforce pays back manyfold.” Said Rep. Mueller. “Rural EMS is in desperate need for support to be able to continue to provide reliable service for Minnesotans. This is a huge win along with creating the water and wastewater operator training program at Riverland. These will both help prepare our workforce for the needs of southern Minnesota.”

Unfortunately, these wins are cast in the dark shadow of a chaotic end of the legislative session with much of the remaining legislation amended into the tax bill in order to pass before the 11:59 PM deadline. This included shutting down debate on the over 2,000 page bill that was not even available for the public to see.

“I find it extremely disheartening that the majority felt the need to use such extreme measures to pass their agenda. We showed earlier in the week that it was possible to work timely on bills when they received proper vetting through the committee process. When that collaborative work is not done in committee then these bills must be fully vetted on the House floor.”

“I hope the members of the majority who will be returning in the future learn from this boondoggle because Minnesotans expect us to do better.”

###



/RepPatriciaMueller

253 State Office Building  
100 Rev. Dr. Martin Luther King Jr. Blvd.  
Saint Paul, MN 55155  
651.296.4193

**Recent News for Rep. Patricia Mueller**

[Legislative Update 01.31.25 - \(1/31/2025\)](#)

[Legislative Update 01.24.25 - \(1/24/2025\)](#)

[Legislative Update 01.17.25 - \(1/17/2025\)](#)

[RELEASE: Mueller Takes Oath of Office, Announces Committee Assignments for 2025-2026 Legislative Session - \(1/14/2025\)](#)

[RELEASE: Representative Mueller Statement on the November Budget Forecast - \(1/3/2025\)](#)

Ex. E

8 months ago

# Democrats Abandoning Minnesotans

The two-year biennium has ended in a way that I have not seen in all my years serving in the House and Senate. In the minutes before midnight, as a culmination of the two years of one-party control, the Senate Democrats did the unthinkable and showed an unprecedented abuse of power. An hour before the constitutionally mandated end of the legislative session, a brand new 1,432-page bill was brought forward for a vote on the Senate floor. There were not enough paper copies for legislators and the electronic version crashed so there was no way for legislators to attempt to read the bill language in order to cast an informed vote. To make matters worse, they ignored every Republican on the floor and would not allow any debate on the bill. This undermines the role of the legislature and does a disservice to those that elected us to be their voice at the Capitol.

After months of trying to work in a bipartisan manner to bring about compromise and the best legislation for the people of Minnesota, Democrats announced just after 10 pm that they had a mega-omnibus bill that they were moving out of the Taxes Conference Committee, and it would go to both bodies for a final vote. This was not a tax bill, it was a mega-omnibus bill that rolled eight omnibus bills into one, and included a number of additional unrelated provisions such as gun control measures and sweeping paid leave changes. Despite the state constitution being incredibly clear that every senate file or house file should be a “one subject” bill, this was their last stand to lump all of their unvetted bills into one massive bill, so they could pass everything at once.

The bill then went to the House for a vote, and then made it to the Senate with less than 45 minutes left in the legislative session. This was already a total abuse of power, but they also cut off debate on the bill and neglected every question or concern. For 30 minutes, we were trying to get answers on what was in the bill. To make matters worse, we didn't even have access to the final language when a vote was taken. Democrats bulldozed it through.

I'd like to point out a critical detail that it seems Senate Democrats have forgotten: they have a one-seat majority, which means Senate Republicans represent 49% of the state. By cutting off debate and pushing through this bill, Democrats are sending the message that they do not care about the

opinions of those who may disagree with them. They have a simple majority and used it to silence any opposition to their bills. They were able to do this by leveraging the deciding vote of Sen. Mitchell, who has been embroiled in controversy since her felony charge. This is not how democracy is meant to work.

The fact of the matter is that we will likely not even know what is in this bill until a few weeks down the line. Yet this bill is going to be signed into law and will affect every single family, community, and small business in the state. Minnesotans elected us to be their voices on legislative issues. They expect us to vet these bills before passing them – that’s just commonsense legislating. But by cutting off debate entirely, Democrats are choosing to ignore the concerns of half of the state, and it’s truly shameful.

I don’t want to be overly-partisan in assessing this situation, but the actions taken on the Floor were reprehensible and folks need to know what happened. Sunday night there was a total breakdown in the democratic process, and Minnesotans expect better from us. They expect us to thoroughly examine and debate any legislation that will affect them in their daily lives. This is an attack on the democratic process, and it was a shameful way to end session. I hope that Democrats will be held accountable for their actions. Minnesota deserves better.



Ex. F



Scam alert

## MISCLASSIFICATION FAQs

The frequently asked questions (FAQs) below answer questions often received by the Minnesota Department of Labor and Industry (DLI) related to worker misclassification and independent contractor status. The FAQs are intended as informational and guidance only and do not have the force or effect of law. DLI cannot provide legal advice or advisory opinions. Employers and workers may wish to consult with legal counsel. These FAQs are not a substitute for review of the applicable laws and rules and should not be considered comprehensive. To review Minnesota's misclassification laws, see Minnesota Statutes sections [181.722](#) and [181.723](#).

Note: Minnesota Statutes section [181.723, subdivision 4](#) (independent contractor test), is effective for building construction or improvement services provided or performed on or after March 1, 2025. Before this date, the [previous version](#) of the independent contractor test is in effect.

### General misclassification FAQs

#### 1. What is worker misclassification?

Misclassification occurs when an employer classifies, represents or treats a worker who is an employee under Minnesota or federal law as an independent contractor.

#### 2. What is the impact of worker misclassification?

Misclassifying employees as independent contractors is a problem because misclassified workers often do not receive minimum wages, overtime pay, earned sick and safe time, unemployment benefits, workers' compensation coverage, pregnancy and parental leave, and other workplace protections that properly classified

employees are entitled to under the law. In addition, employers who misclassify workers may avoid paying payroll taxes and other costs that employers operating lawfully must pay. By evading legally required costs employers who misclassify receive an unfair competitive advantage over law-abiding employers.

### **3. If an employer has misclassified a worker, is the employer liable for the underlying benefits and worker protections not provided to the misclassified worker?**

Employers who misclassify workers may be liable for back wages and other benefits unlawfully withheld, including minimum wages, overtime pay and earned sick and safe time, as well as other compensatory damages the worker would have received had they been properly treated as an employee. Employers may additionally be liable for penalties, liquidated damages and other remedies. If an employer has misclassified a group of workers over an extended period, potential monetary liabilities may be significant.

### **4. What should an employer do to make sure it is properly classifying its workers?**

Employers should evaluate each worker individually, consult state and federal independent contractor tests and seek advice from legal counsel as needed.

### **5. What is an independent contractor test?**

State and federal laws and rules have established multi-factor or multi-element independent contractor tests to determine the employment relationship between a worker and an employer, meaning whether a worker is an employee or an independent contractor. These tests are present in state unemployment, tax, wage and hour, and workers' compensation laws and rules. Multi-factor or multi-element independent contractor tests often ask a series of questions that guide employers about how to properly classify a worker. The independent contractor test for general misclassification in the wage and hour

context is found in Minnesota Statutes section [181.722, subd. 3](#), and the independent contractor test for misclassification in the residential and commercial construction context is found in Minnesota Statutes section [181.723, subd. 4](#).

## **6. When I started my job, I was not asked to fill out an I-9, W-4 or any other tax form. Does that mean I'm an independent contractor?**

While it is both standard practice and required under federal law for someone entering an employee-employer relationship to fill out certain federal forms, not being asked to fill them out does not make you a properly classified independent contractor. This practice may indicate the employer is classifying or treating you as an independent contractor; however, it does not necessarily mean that is the correct classification. An employer must consider and apply the applicable independent contractor tests to determine if a worker should be classified as an employee or an independent contractor.

## **7. If I received a 1099, does that mean I'm an independent contractor?**

Receiving a 1099 likely means the employer is classifying or treating you as an independent contractor; however, this does not necessarily mean you are being correctly classified as an independent contractor instead of an employee under applicable independent contractor tests.

## **8. What activities related to worker misclassification violate Minnesota law?**

The prohibited activities related to worker misclassification can be found in Minnesota Statutes sections [181.722, subd. 1](#), and [181.723, subd. 7](#). The prohibited activities are:

- Failing to classify, represent or treat an employee as an employee in violation of any applicable law.

- Failing to report or disclose an employee as an employee to a government entity when required to do so by applicable law.
- Requiring or requesting that an employee enter into an agreement or complete any document that misclassifies, misrepresents or treats an employee as an independent contractor.

The prohibited activities above apply to all industries. The following additional prohibited activities apply specifically to the residential and commercial construction industry:

- Requiring an employee to register under Minnesota Statutes section [326B.701](#).
- Requiring an employee to do any of the following as a condition of payment:
  - register as a construction contractor under Minnesota Statutes section [326B.701](#);
  - agree to being treated, represented or classified as an independent contractor; or
  - form a business entity.

## **9. What damages and penalties could an employer face if it violates the prohibited activities listed above?**

Potential damages and penalties include:

- Compensatory damages to the employee the employer failed to classify, represent or treat as an employee including, but not limited to, minimum wage, overtime, shift differentials, vacation pay, sick pay, other forms of paid time off, health insurance, life and disability insurance, retirement plans, saving plans, employer contributions to unemployment insurance and Social Security and Medicare, as well as any costs and expenses incurred by the employee resulting from the misclassification.

- A penalty of up to \$10,000 for each violation of the prohibited activities.

Employers can also face the following penalties:

- A penalty of up to \$10,000 for each employee the employer fails to classify, represent or treat as an employee pursuant to Minnesota Statutes sections [181.722](#) or [181.723](#).
- A penalty of \$1,000 per day for any person who delays, obstructs or otherwise fails to cooperate with DLI's investigation.

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## **Residential and commercial construction worker misclassification FAQs**

### **10. What does Minnesota Statutes section [181.723, subd. 3](#), mean by "an individual who provides or performs building construction or improvement services for a person that are in the course of the person's trade, business, profession or occupation is an employee of that person and that person is an employer of the individual?"**

An individual is an employee if they are providing or performing services that are in the course of the hiring entity's trade, business, profession or occupation, unless the individual meets the independent contractor test to establish independent contractor status under Minnesota Statutes section [181.723, subd. 4](#). In other words, if you are hiring an individual to provide or perform services that are in the course of your trade, business, profession or occupation, the individual is your employee unless all the elements outlined in Minnesota Statutes section [181.723, subd. 4](#), are satisfied.

### **11. According to Minnesota Statutes section [181.723, subd. 4\(a\)](#), "[a]n individual is an independent contractor and not an employee of the person for whom the individual is providing or performing services in the course of the**

**person's trade, business, profession or occupation only if the individual is operating as a business entity that meets all of the statutory requirements at the time the services were provided or performed." What is considered a business entity?**

The law defines a business entity as a legal or commercial entity including, but not limited to, a sole proprietor, LLC, LLP, corporation, partnership, incorporated or unincorporated association or joint stock company, but does not include an individual. Individual is defined as a human being. In essence, the individual needs to be in business for themselves, meaning operating as an independent business entity, to qualify as an independent contractor. This is necessary in addition to meeting all of the elements in the independent contractor test under the law to be considered an independent contractor.

**12. I want to hire someone to do some home repairs on my own home. Will they be considered my employee?**

Generally, no, they will not be considered your employee. The independent contractor test in Minnesota Statutes section [181.723, subd. 4](#), only applies when you have engaged someone to provide or perform services that are in the course of your trade, business, profession or occupation.

**13. What records is a contractor required to collect from a subcontractor to verify the subcontractor is properly classified as an independent contractor? Is the contractor required to periodically check to ensure these records are current?**

The law does not require contractors to collect any specific records to verify the statutory requirements of the independent contractor test at Minnesota Statutes section [181.723, subd. 4](#), are met; however, record and other documentation verification is a best practice. The law

does require that contractors retain all the information and documents they based any independent contractor determination on for at least three years and that this information be maintained in a manner where it can be readily produced to DLI upon demand. The extent to which a contractor chooses to require documents for verification of statutory requirements is a question of risk tolerance and may be informed by factors such as repeated business relationships. Contractors may consider checking publicly available information, such as the Secretary of State website or a portfolio of work contained on a subcontractor's website. Contractors may also consider requesting representative proof of compliance with other requirements of the independent contractor test such as tax or insurance requirements.

**14. On my job, materials are purchased on a tax-exempt basis and I'm the owner's "purchasing agent." Can I be considered an independent contractor on this project if I don't own the materials at any point?**

The independent contractor test requires an independent contractor owns, rents or leases equipment, tools, vehicles, materials, supplies, office space or other facilities that are used by the independent contractor's business entity to provide or perform building construction or improvement services. This requirement assesses the business entity generally and not at a specific project or contract level. No single item on this list, such as materials, is in and of itself determinative. The focus of this requirement is whether the business entity demonstrates sufficient investment to be able to independently move from job to job for different customers.

**15. I'm a subcontractor and do all of my work for one general contractor for all of its projects. Can I be considered an independent contractor or do I have to work for more than one customer or contractor to be an independent contractor?**

One requirement of the independent contractor test is that an independent contractor must provide, perform or offer to provide or perform services for multiple people or entities or the general public. Offering services to multiple people or the general public does not require a business entity to accept jobs it does not want or that it is unable to accommodate due to previous commitments. If you are free to accept jobs from other customers at your own discretion and are available for solicitation of such jobs, this requirement may be satisfied.

**16. I'm a general contractor and my subcontractor told me it forgot to file its LLC renewal, resulting in its registration lapsing six months ago. Is my subcontractor now my employee?**

All requirements of the independent contractor test, including holding a current business registration, must be satisfied at the time the subcontractor's services are provided or performed to be considered an independent contractor.

**17. When assessing whether my subcontractor meets the independent contractor test, who should I contact if I can't figure out whether they have required licenses, registrations or certifications?**

This information is generally available at [ims.dli.mn.gov/ims](https://ims.dli.mn.gov/ims). You can also contact DLI's Construction Codes and Licensing Division at 651-284-5074 (registration), [dli.register@state.mn.us](mailto:dli.register@state.mn.us) or 651-284-5069 (enforcement).



**18. One of the independent contractor test requirements is that an independent contractor must operate under a written contract to provide or perform specific services. What must be included in the contract?**

The written contract must:

- be signed and dated by both an authorized representative of the independent contractor and of the person for whom the services are being provided or performed;
- be fully executed no later than 30 days after the date work commences (this does not apply to change orders);
- identify the specific services to be provided or performed under the contract; and
- provide for compensation from the person for the services provided or performed under the contract on a commission or per-job or competitive bid basis and not on any other basis.

**19. I am a general contractor who has master subcontract agreements with subcontractors and issues job-specific work orders for each job. Is that sufficient to satisfy that compensation under the written contract must be on a "per-job" basis?**

Where the responsibilities and relationships on a project are governed by multiple documents, those documents may be examined together as part of the written contract to determine if the independent contractor test requirements are met. Job-specific work orders that result in actual payment on a per-job basis for specific services identified for that job may satisfy the test if, combined with other governing documents, all the test requirements are met.

**20. Is "scope of work: carpentry as per plans and specs" a good enough description to satisfy that a written contract must identify the "specific services to be provided or performed?"**

Where written contracts reference and incorporate other documents, such as plans and specifications, those documents may be examined together as part of the written contract to determine if the independent contractor requirements are satisfied.

**21. I do not have a signed contract with my subcontractor. Are they now my employee?**

The independent contractor test requires that a written contract be signed by an authorized representative of both parties and that it be fully executed no later than 30 days after the work commences (except for change orders) in order for a subcontractor to meet the requirements of the test.

**22. My subcontractor gave me a ticket for work performed on a carbon paper booklet that said, "paint hall, total cost \$800 due now." I wrote him a check based on that ticket. Is that sufficient under the independent contractor test or do I need him to send me an invoice?**

The independent contractor test requires that an independent contractor submit invoices and receive payments for the completion of specific services provided or performed in the name of its business entity. The test does not contain additional requirements about the form of invoices. If the specific services provided or performed are invoiced in the name of the business entity and payment is received in the name of the business entity, this requirement is met as long as payments are not made in cash.

**23. The project owner's specifications require a very specific process for mixing mortar on my historic renovation project. Does following these**

**specifications make me an employee?**

Compliance with items such as technical project specifications, plans and code requirements do not, on their own, make a subcontractor an employee. The independent contractor test requires that an independent contractor be responsible for the completion of the specific services in the written contract, as well as for failure to complete the specific services in the contract.

**24. My subcontractor did not complete the work called for in the subcontract. Are they now an employee rather than an independent contractor?**

A failure to complete work does not impact whether a subcontractor is considered an employee or an independent contractor. Rather, the independent contractor test requires that an independent contractor be responsible for completion or failure to complete the specific services in the written contract.

**25. I want to use a cost-plus or time and materials contract with my subcontractor, under which it will not have any opportunity for "additional profit" or "loss." Does this make my subcontractor an employee?**

Determination of whether a contract meets the requirements of the independent contractor test requires a case-by-case analysis. The test requires that under the contract the hired person may realize additional profit or suffer a loss if the costs and expenses to provide or perform the contracted services are less than or greater than the compensation provided under the contract. If this requirement is not met, the contract does not satisfy the independent contractor test. This requirement was also required under the previous independent contractor test for the residential and commercial construction industry.

**26. I hired a subcontractor who I thought was an independent contractor, but it turns out they are classified as an employee. If I didn't know about it, am I individually liable?**

An owner, partner, principal, member, officer or agent may be individually liable for knowingly or repeatedly engaging in the prohibited activities as described in question eight. The law defines "knowingly" as "knew or could have known with the exercise of reasonable diligence."

**27. If my subcontractor does not meet the independent contractor test and is, therefore, my employee, will their employees and subcontractors become my employees?**

A contractor is the employer of any individual providing or performing construction services in the contracting chain below them unless an intervening business entity and contract meet the independent contractor test. No employment relationship will be created between a contractor and an individual in the contracting chain below if an intervening business entity treats that individual as an employee in compliance with applicable laws.

MAIN WORKER MISCLASSIFICATION PAGE ►

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